

**NORTH WEST PROVINCE  
DEPARTMENT OF FINANCE**

**2020 -11- 0 6**

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**JB Marks Local Municipality  
Annual financial statements  
for the year ended June 30, 2020**

# **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

## **General Information**

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<b>Legal form of entity</b>	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
<b>Nature of business and principal activities</b>	Provision of municipal services to communities within the JB Marks local jurisdiction
<b>Mayoral committee</b>	
Executive Mayor	Hon Cllr KM Khumalo Hon Cllr KEG Mogoemang -Speaker Hon Cllr DM Matsapola - Chief Whip
Councillors	Cllr Maneli KM Cllr Johnson KA Cllr Kgasane MP Cllr Mothopeng MS Cllr Mkhabela LM Cllr P Molete
<b>Grading of local authority</b>	B2
<b>Chief Finance Officer (CFO)</b>	TE Moeketsane
<b>Accounting Officer</b>	L Ralekgetho
<b>Registered office</b>	35 Wolmarans Street Potchefstroom, 2531 South Africa
<b>Business address</b>	35 Wolmarans Street Potchefstroom, 2531 South Africa
<b>Postal address</b>	P.O Box 113 Potchefstroom, 2520 South Africa
<b>Bankers</b>	ABSA Bank Limited Nedbank Limited
<b>Auditors</b>	Auditor General South Africa
<b>Website</b>	<a href="http://www.jbmarks.gov.za">www.jbmarks.gov.za</a>

# **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AC	Audit Committee
VAT	Value Added Tax

## **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

### **Accounting Officer's Responsibilities and Approval**

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 4 to 89, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:



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**L. Rajkgetho**  
Accounting Officer

# **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

## **Accounting Officer's Report**

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The accounting officer submits his report for the year ended June 30, 2020.

### **1. Review of activities**

#### **Main business and operations**

The nature and principal activities of the municipality are:

To within its financial and administrative capacity :

-provide democratic and accountable government for the community of JB Marks.

-to ensure the provision of services to the community in a sustainable manner;-to promote social and economic development

-to promote a safe and healthy environment; and

-to encourage the involvement of the community and community organisations in the matters of the municipality.

Legislation governing the operations of the municipality includes but are not limited to the following:

Municipal Structures Act 117 of 1998-Local Government:

Municipal Systems Act 32 of 2000-Local Government:

Municipal Finance Management Act 56 of 2003

Net deficit of the municipality was R 104,610,219 (2019: deficit R 41,329,237).

### **2. Going concern**

We draw attention to the fact that at June 30, 2020, the municipality had accumulated surplus of R 3,934,141,874 and that the municipality's total assets exceed its liabilities by R 3,934,141,874.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **3. Subsequent events**

The accounting officer is not aware of any matter or circumstance arising since the end of the year.

### **4. Accounting policies**

The annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act NO. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

### **5. Accounting Officer**

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
L Ralekgetho	South African

### **6. Corporate governance**

#### **General**

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

## **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

### **Accounting Officer's Report**

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#### **Audit committee and Risk Management**

The Audit Committee has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The AC reviewed functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

The AC is of the opinion that municipality's risk management appears to be ineffective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies.

#### **7. Auditors**

Auditor General South Africa will continue in office for the next financial period.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Statement of Financial Position as at June 30, 2020

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	164,718,517	142,426,878
Receivables from non-exchange transactions	4	21,423,176	19,522,272
Consumer debtors	5	262,083,884	240,698,828
VAT receivable	6	20,928,198	16,938,510
Cash and cash equivalents	7	202,780,304	239,794,548
		<b>671,934,079</b>	<b>659,381,036</b>
<b>Non-Current Assets</b>			
Investment property	8	63,182,049	63,775,615
Property, plant and equipment	9	3,742,169,387	3,825,866,667
Intangible assets	10	7,214,301	13,447,916
Heritage assets	11	56,840,723	56,931,602
Other financial assets	12	62,808,359	57,302,252
		<b>3,932,214,819</b>	<b>4,017,324,052</b>
<b>Total Assets</b>		<b>4,604,148,898</b>	<b>4,676,705,088</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	13	419,340,597	379,486,514
Payables from non-exchange transactions	14	14,830	14,830
Consumer deposits	15	24,465,127	23,471,205
Employee benefit obligation	16	13,048,410	11,751,308
Unspent conditional grants and receipts	17	20,690,464	12,945,188
Provisions	18	2,024,433	2,024,433
		<b>479,583,861</b>	<b>429,693,478</b>
<b>Non-Current Liabilities</b>			
Employee benefit obligation	16	150,135,109	171,347,811
Provisions	18	40,288,054	36,911,704
		<b>190,423,163</b>	<b>208,259,515</b>
<b>Total Liabilities</b>		<b>670,007,024</b>	<b>637,952,993</b>
<b>Net Assets</b>		<b>3,934,141,874</b>	<b>4,038,752,095</b>
Accumulated surplus		3,934,141,874	4,038,752,095

\* See Note 48

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	20	884,323,390	888,771,867
Rental of facilities and equipment	21	4,515,135	6,148,402
Agency services		8,256,619	10,077,250
Licences and permits		3,148,143	5,804,699
Sundry income	23	9,242,701	12,803,552
Interest received	22	52,312,581	67,359,016
Dividends received	22	4,192	3,934
<b>Total revenue from exchange transactions</b>		<b>961,802,761</b>	<b>990,968,720</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	24	184,845,555	177,751,062
<b>Transfer revenue</b>			
Government grants & subsidies	25	412,680,385	371,271,988
Public contributions and donations	26	2,724,355	2,138,393
Fines, Penalties and Forfeits		5,771,433	160,380,209
<b>Total revenue from non-exchange transactions</b>		<b>606,021,728</b>	<b>711,541,652</b>
<b>Total revenue</b>	19	<b>1,567,824,489</b>	<b>1,702,510,372</b>
<b>Expenditure</b>			
Employee related costs	27	(463,155,448)	(418,845,098)
Remuneration of councillors	28	(28,111,796)	(26,461,495)
Depreciation and amortisation	29	(220,123,920)	(237,814,238)
Impairment loss PPE	30	(24,891,843)	(4,639,329)
Finance costs	31	(5,167,969)	(3,868,540)
Lease rentals on operating lease		(524,383)	(227,541)
Debt Impairment	32	(69,294,816)	(274,873,839)
Repairs and maintenance	33	(58,407,755)	(66,110,096)
Bulk purchases	34	(568,375,539)	(500,890,596)
Contracted services	35	(106,608,611)	(75,154,090)
General Expenses	36	(114,428,078)	(121,012,410)
<b>Total expenditure</b>		<b>(1,659,090,158)</b>	<b>(1,729,897,272)</b>
<b>Operating deficit</b>		<b>(91,265,669)</b>	<b>(27,386,900)</b>
Loss/gains on disposal of assets and liabilities		(13,330,108)	(13,952,667)
Fair value adjustments	37	(14,442)	10,330
		<b>(13,344,550)</b>	<b>(13,942,337)</b>
<b>Surplus/(Deficit) for the period</b>		<b>(104,610,219)</b>	<b>(41,329,237)</b>

\* See Note 48



## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4,137,651,258	4,137,651,258
Adjustments		
Correction of errors	(57,569,926)	(57,569,926)
<b>Balance at July 1, 2018 as restated*</b>	<b>4,080,081,332</b>	<b>4,080,081,332</b>
Changes in net assets		
Deficit for the period	(41,329,237)	(41,329,237)
Total changes	(41,329,237)	(41,329,237)
<b>Restated* Balance at July 1, 2019</b>	<b>4,038,752,093</b>	<b>4,038,752,093</b>
Changes in net assets		
Deficit for the period	(104,610,219)	(104,610,219)
Total changes	(104,610,219)	(104,610,219)
<b>Balance at June 30, 2020</b>	<b>3,934,141,874</b>	<b>3,934,141,874</b>

\* See Note 48

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		986,786,671	1,154,370,190
Grants		420,425,661	353,690,098
Interest income		52,312,581	67,359,016
Dividends received		4,192	3,934
Other receipts		14,964,096	36,259,774
		<u>1,474,493,201</u>	<u>1,611,683,012</u>
<b>Payments</b>			
Employee costs		(499,381,138)	(453,917,325)
Suppliers		(840,801,887)	(962,117,739)
Finance costs		(1,791,619)	(1,818,446)
		<u>(1,341,974,644)</u>	<u>(1,417,853,510)</u>
<b>Net cash flows from operating activities</b>	38	<b>132,518,557</b>	<b>193,829,502</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	9	(164,978,297)	(147,932,603)
Purchase of other intangible assets	10	-	(4,134,215)
Purchases of heritage assets	11	(27,879)	-
Net movements in financial assets		(5,520,549)	(5,036,701)
		<u>(170,526,725)</u>	<u>(157,103,519)</u>
<b>Net cash flows from investing activities</b>		<b>(170,526,725)</b>	<b>(157,103,519)</b>
<b>Cash flows from financing activities</b>			
Settlement of other financial liabilities		-	(23,439,311)
Finance lease movements		-	(5,346,897)
Consumer deposits		993,924	925,077
		<u>993,924</u>	<u>(27,861,131)</u>
<b>Net cash flows from financing activities</b>		<b>993,924</b>	<b>(27,861,131)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(37,014,244)</b>	<b>8,864,852</b>
Cash and cash equivalents at the beginning of the year		239,794,548	230,929,696
<b>Cash and cash equivalents at the end of the year</b>	7	<b>202,780,304</b>	<b>239,794,548</b>

\* See Note 48

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	1,096,591,072	(24,620,000)	1,071,971,072	884,323,390	(187,647,682)	Note 1
Rental of facilities and equipment	3,426,200	(393,334)	3,032,866	4,515,135	1,482,269	
Agency services	7,011,580	-	7,011,580	8,256,619	1,245,039	
Licences and permits	5,586,289	(1,452,000)	4,134,289	3,148,143	(986,146)	
Miscellaneous other revenue	11,527,282	10,941,985	22,469,267	9,242,701	(13,226,566)	Note 2
Interest received - investment	54,311,469	(3,000,000)	51,311,469	52,312,581	1,001,112	
Dividends received	5,260	(2,000)	3,260	4,192	932	
<b>Total revenue from exchange transactions</b>	<b>1,178,459,152</b>	<b>(18,525,349)</b>	<b>1,159,933,803</b>	<b>961,802,761</b>	<b>(198,131,042)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	181,317,459	4,157,000	185,474,459	184,845,555	(628,904)	
<b>Transfer revenue</b>						
Government grants & subsidies	445,886,500	(20,000,000)	425,886,500	412,680,385	(13,206,115)	Note 3
Public contributions and donations	-	-	-	2,724,355	2,724,355	
Fines, Penalties and Forfeits	89,877,174	(58,886,759)	30,990,415	5,771,433	(25,218,982)	Note 4
<b>Total revenue from non-exchange transactions</b>	<b>717,081,133</b>	<b>(74,729,759)</b>	<b>642,351,374</b>	<b>606,021,728</b>	<b>(36,329,646)</b>	
<b>Total revenue</b>	<b>1,895,540,285</b>	<b>(93,255,108)</b>	<b>1,802,285,177</b>	<b>1,567,824,489</b>	<b>(234,460,688)</b>	
<b>Expenditure</b>						
Personnel	(480,645,526)	(3,835,300)	(484,480,826)	(463,155,448)	21,325,378	Note 5
Remuneration of councillors	(34,243,749)	-	(34,243,749)	(28,111,796)	6,131,953	Note 6
Depreciation and amortisation	(250,531,392)	(1,007,644)	(251,539,036)	(220,123,920)	31,415,116	Note 7
Impairment loss/ Reversal of impairments	(70,000,000)	52,300,000	(17,700,000)	(24,891,843)	(7,191,843)	Note 8
Finance costs	(40,000)	-	(40,000)	(5,167,969)	(5,127,969)	Note 9
Lease rentals on operating lease	(1,719,400)	670,000	(1,049,400)	(524,383)	525,017	
Debt Impairment	(31,223,360)	(50,000,000)	(81,223,360)	(69,294,816)	11,928,544	Note 10
Repairs and maintenance	(98,827,570)	18,132,407	(80,695,163)	(58,407,755)	22,287,408	Note 11
Bulk purchases	(568,602,340)	-	(568,602,340)	(568,375,539)	226,801	
Contracted Services	(87,815,395)	(15,376,988)	(103,192,383)	(106,608,611)	(3,416,228)	
General Expenses	(197,990,298)	(15,863,106)	(213,853,404)	(114,428,078)	99,425,326	Note 12
<b>Total expenditure</b>	<b>(1,821,639,030)</b>	<b>(14,980,631)</b>	<b>(1,836,619,661)</b>	<b>(1,659,090,158)</b>	<b>177,529,503</b>	
<b>Operating deficit</b>	<b>73,901,255</b>	<b>(108,235,739)</b>	<b>(34,334,484)</b>	<b>(91,265,669)</b>	<b>(56,931,185)</b>	
Loss on disposal of assets and liabilities	500,000	-	500,000	(13,330,108)	(13,830,108)	Note 13
Fair value adjustments	-	-	-	(14,442)	(14,442)	
Inventories losses/write-downs	(50,000)	50,000	-	-	-	
	<b>450,000</b>	<b>50,000</b>	<b>500,000</b>	<b>(13,344,550)</b>	<b>(13,844,550)</b>	
<b>Deficit before taxation</b>	<b>74,351,255</b>	<b>(108,185,739)</b>	<b>(33,834,484)</b>	<b>(104,610,219)</b>	<b>(70,775,735)</b>	

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Deficit for the year from continuing operations</b>	<b>74,351,255</b>	<b>(108,185,739)</b>	<b>(33,834,484)</b>	<b>(104,610,219)</b>	<b>(70,775,735)</b>	
Capital expenditure	(258,896,713)	69,707,964	<b>(189,188,749)</b>	(166,212,564)	<b>22,976,185</b>	Note 14
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(184,545,458)</b>	<b>(38,477,775)</b>	<b>(223,023,233)</b>	<b>(270,822,783)</b>	<b>(47,799,550)</b>	

Note 1 - Corrections were made due to estimates used during Lock down.

Note 2 - The budget was based on prior year performance, however due to the COVID pandemic this was not realised.

Note 3 - The grant expenditure was lower than anticipated due to the lockdown as some projects were put on hold and this affected the grant revenue recognised.

Note 4 - Traffic service provider's contract was terminated and this led to a decrease in the fines issued.

Note 5 - Vacant positions budgeted could not be filled due to realigning of the structure.

Note 6 - Budget increase of 7% was projected, actual increase was 4%.

Note 7 - A higher depreciation budget was made than was actually realised.

Note 8 - There were more assets impaired due to the economic environment than what was or anticipated.

Note 9 - The municipality incurred interest costs on overdue creditor accounts which is not budgeted for.

Note 10 - Impairment of traffic fines was anticipated and not incurred because the fines were not issued due to the termination of the contract of the service provider responsible for traffic fines.

Note 11 - Approved maintenance plan was partially implemented due to the lockdown.

Note 12 - Operations were affected during the lockdown and hence less expenditure was incurred.

Note 13 - The municipality does not budget for losses or gains on disposal of assets and liabilities.

Note 14 - The lock down affected the implementation of certain capital projects and hence the amount spent was not as originally anticipated.

# **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

## **Accounting Policies**

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### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

#### **1.1 Presentation currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### **1.2 Going concern assumption**

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Significant judgements and sources of estimation uncertainty**

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### **Trade receivables / Held to maturity investments and/or loans and receivables**

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

##### **Impairment testing**

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand for municipal services, timing of cash flows, together with economic factors such as inflation, interest rates.

##### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that ■ determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

#### Provision for rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision is made for this obligation based on the net present value of cost.

The uncertainties and assumptions attached to this provision are listed as follows:

The landfill closure designs has changed from the Minimum Requirements for Waste Disposal by Landfill to the National Environmental Management: Waste Act (59/2008): Waste Classification and Management Regulations (Gazette No. 36784). The change effectively puts stricter conditions on landfill closure and rehabilitation, with ■ concomitant increase in costs, especially for the sites previously classified as communal and small.

Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.

#### Useful lives of Property, Plant and Equipment, Intangible assets and Investment Property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

#### Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and ■ expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised ■ an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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## Accounting Policies

### 1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	5-60 years
Plant and machinery	Straight line	2-20 years
Furniture and fixtures	Straight line	2-20 years
Motor vehicles	Straight line	5-20 years
Office equipment	Straight line	2-20 years
IT equipment	Straight line	5-20 years
Leasehold improvements	Straight line	10-50 years
Infrastructure	Straight line	3-80 years
Community	Straight line	5-60 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the fair value of the investment property can be measured reliably.

Investment property is initially recognised at fair value. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.



# JB Marks Local Municipality

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## Accounting Policies

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### 1.6 Intangible assets (continued)

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

# **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

## **Accounting Policies**

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### **1.7 Heritage assets (continued)**

#### **Initial measurement**

Heritage assets are measured at cost.

Where ■ heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value ■ at the date of acquisition.

#### **Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition ■ an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of ■ revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### **Impairment**

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### **Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its ■ or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### **1.8 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The effective interest method is ■ method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Accounting Policies

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### 1.8 Financial instruments (continued)

A financial asset is:

- cash;
- ■ residual interest of another municipality; or
- ■ contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of ■ financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of ■ financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

#### Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer debtors	Financial asset measured at amortised cost
Non-current Investments	Financial asset measured at fair value

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

The municipality recognises ■ financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The municipality measures ■ financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## **JB Marks Local Municipality**

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### **Accounting Policies**

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#### **1.8 Financial instruments (continued)**

##### **Subsequent measurement of financial assets and financial liabilities**

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

##### **Impairment and uncollectibility of financial assets**

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

# **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

## **Accounting Policies**

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### **1.8 Financial instruments (continued)**

#### **Derecognition**

##### **Financial assets**

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers ■ financial asset in ■ transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, ■ servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as ■ result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If ■ transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### **Financial liabilities**

The municipality removes ■ financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

# **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

## **Accounting Policies**

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### **1.8 Financial instruments (continued)**

The difference between the carrying amount of ■ financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### **Presentation**

Interest relating to a financial instrument or a component that is ■ financial liability is recognised ■ revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability ■ only offset and the net amount presented in the statement of financial position when the municipality currently has ■ legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **1.9 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### **Finance leases - lessor**

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting ■ constant periodic rate of return on the municipality's net investment in the finance lease.

#### **Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce ■ constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### **Operating leases - The Municipality as lessor**

Operating lease revenue is recognised ■ revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

#### **Operating leases - The Municipality as lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

## **JB Marks Local Municipality**

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### **Accounting Policies**

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#### **1.10 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **1.11 Impairment of cash-generating assets**

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

##### **Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

# **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

## **Accounting Policies**

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### **1.11 Impairment of cash-generating assets (continued)**

#### **Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as ■ revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is ■ requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### **Reversal of impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for ■ cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is ■ reversal of an impairment loss. The increased carrying amount of an asset attributable to ■ reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such ■ reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating ■ reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### **1.12 Share capital / contributed capital**

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### **1.13 Employee benefits**

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable ■ a result of either



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#### **1.13 Employee benefits (continued)**

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes ■■■ established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as ■ result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### **Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as ■ liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has ■ present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### **Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

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### **1.13 Employee benefits (continued)**

#### **Post-employment benefits: Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which an municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognise the contribution payable to ■ defined contribution plan in exchange for that service:

- ■ a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- ■ an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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#### 1.13 Employee benefits (continued)

##### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and ■■■ available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits ■■■ one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost ■■■ an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of ■ defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as ■ defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

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### **Accounting Policies**

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#### **1.13 Employee benefits (continued)**

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of ■ defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle ■ defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented ■ the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on ■ net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

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### 1.13 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

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## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

### 1.15 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

## **JB Marks Local Municipality**

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### **Accounting Policies**

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#### **1.15 Site restoration and dismantling cost (continued)**

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

#### **1.16 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

#### **1.17 Revenue from exchange transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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## **Accounting Policies**

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### **1.17 Revenue from exchange transactions (continued)**

#### **Rendering of services**

When the outcome of ■ transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of ■ transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### **Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

### **1.18 Revenue from non-exchange transactions**

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by ■ court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

#### **Recognition**

An inflow of resources from ■ non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies ■ present obligation recognised as ■ liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.



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### **1.18 Revenue from non-exchange transactions (continued)**

#### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### **Fines**

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

#### **Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

#### **Government Grants**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

#### **Other grants and donations**

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

### **1.19 Investment income**

Investment income is recognised on a time-proportion basis using the effective interest method.

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## **Accounting Policies**

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### **1.20 Borrowing costs**

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### **1.21 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year

### **1.22 Unauthorised expenditure**

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.23 Fruitless and wasteful expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### **1.24 Irregular expenditure**

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.25 Budget information**

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

## **JB Marks Local Municipality**

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#### **1.25 Budget information (continued)**

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives, whilst the annual financial statements are prepared on accrual basis of accounting.

The approved budget covers the fiscal period from 01-Jul-19 to 30-Jun-20.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are not prepared on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts. The statement of comparison of budget and actual amounts is therefore prepared on a budget basis.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are not prepared on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

#### **1.26 Related parties**

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

#### **1.27 Events after reporting date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### 2. New standards and interpretations

Application of all of the GRAP standards listed below will be effective from a date to be announced by the Minister of Finance.

Management has considered all the of the listed GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have ■ significant impact on the financial position, financial performance or cash flows of the municipality.

##### GRAP pronouncement

##### Effective ■■■■ - year beginning on or after

- GRAP 18 Segment Reporting	1 April 2020
- GRAP 20 Related party disclosures	1 April 2019
- GRAP 32 Service concession arrangements: grantor	1 April 2019
- GRAP 34 Separate financial statements	1 April 2020
- GRAP 35 Consolidated financial statements	1 April 2020
- GRAP 36 Investments in associates and joint ventures	1 April 2020
- GRAP 37 Joint arrangements	1 April 2020
- GRAP 38 Disclosure of interests in other entities	1 April 2020
- GRAP 108 Statutory receivables	1 April 2019
- GRAP 109 Accounting by principals and agents	1 April 2019
- GRAP 110 Living and non-living resources	1 April 2020
- IGRAP 17 Service concession arrangements where a grantor controls a significant residual interest in an asset	1 April 2019
- IGRAP 18 Recognition and derecognition of land	1 April 2019
- IGRAP 19 Liabilities to pay levies	1 April 2019
- IGRAP 1 Applying the probability test on initial recognition revenue (amendments)	1 April 2020
- IGRAP 20 Accounting for adjustments to revenue	1 April 2019
Guideline Accounting for arrangements undertaken in terms of the national housing programme	

#### 3. Inventories

Consumable stores	47,368,516	25,120,148
Water	589,116	545,845
Land stock	116,760,885	116,760,885
	<b>164,718,517</b>	<b>142,426,878</b>

Carrying value of inventories carried at fair value less costs to sell	164,718,517	142,426,878
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Inventories recognised ■ an expense during the year	10,464,304	8,979,606
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##### Inventory pledged as security

No Inventories have been pledged as collateral for liabilities of the municipality.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>4. Receivables from non-exchange transactions</b>		
Traffic Fines	521,613,956	517,613,778
Sundry debtors	15,562,250	10,130,137
Eskom deposits	5,312,661	4,546,450
Impairment	(521,065,691)	(512,768,093)
	<b>21,423,176</b>	<b>19,522,272</b>
None of the receivables have been pledged as security for the municipality's financial liabilities.		
<b>Receivables from non-exchange transactions past due but not impaired</b>		
Other receivables from non-exchange transactions which are past due are not considered to be impaired. At June 30, 2020, R 655 142 (2019: R 8 576 374) were past due but not impaired.		
<b>Reconciliation of allowance for impairment</b>		
Opening balance	(512,768,093)	(363,936,441)
Provision for impairment	(8,297,598)	(148,831,652)
	<b>(521,065,691)</b>	<b>(512,768,093)</b>
<b>5. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	106,780,851	79,571,112
Electricity	175,127,438	177,764,546
Water	84,772,179	90,548,831
Sewerage	61,413,439	49,628,664
Refuse	50,469,118	40,272,391
Interest on overdue accounts	118,798,898	86,492,443
Vat on debtors	55,880,409	52,634,622
Other debtors	68,571,679	62,519,411
	<b>721,814,011</b>	<b>639,432,020</b>
<b>Less: Allowance for impairment</b>		
Rates	(60,027,448)	(49,618,478)
Electricity	(124,449,866)	(110,849,352)
Water	(63,047,362)	(56,463,898)
Sewerage	(35,716,554)	(30,947,145)
Refuse	(29,032,282)	(25,112,817)
Interest on overdue accounts	(63,160,442)	(53,934,440)
Vat on debtors	(35,063,104)	(32,821,582)
Other debtors	(49,233,069)	(38,985,480)
	<b>(459,730,127)</b>	<b>(398,733,192)</b>
<b>Net balance</b>		
Rates	46,753,403	29,952,634
Electricity	50,677,572	66,915,194
Water	21,724,817	34,084,933
Sewerage	25,696,885	18,681,519
Refuse	21,436,836	15,159,574
Interest on overdue accounts	55,638,456	32,558,003
Vat on debtors	20,817,305	19,813,040
Other debtors	19,338,610	23,533,931
	<b>262,083,884</b>	<b>240,698,828</b>

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>5. Consumer debtors (continued)</b>		
<b>Rates</b>		
Current (0 -30 days)	20,927,525	12,242,236
31 - 60 days	5,777,567	8,296,358
61 - 90 days	4,996,691	2,970,113
91 - 120 days	4,201,049	2,804,945
> 120 days	70,878,018	53,257,460
Less: Provision for bad debts	(60,027,447)	(49,618,477)
	<b>46,753,403</b>	<b>29,952,635</b>
<b>Electricity</b>		
Current (0 -30 days)	46,553,532	52,846,250
31 - 60 days	7,538,487	18,962,111
61 - 90 days	4,644,023	9,522,423
91 - 120 days	4,312,407	7,783,244
> 120 days	112,078,989	88,650,518
Less: Provision for bad debts	(124,449,866)	(110,849,352)
	<b>50,677,572</b>	<b>66,915,194</b>
<b>Water</b>		
Current (0 -30 days)	14,028,901	7,779,715
31 - 60 days	2,410,690	7,247,112
61 - 90 days	2,103,114	2,804,462
91 - 120 days	2,234,164	1,738,543
> 120 days	63,995,310	70,978,999
Less: Provision for bad debts	(63,047,362)	(56,463,898)
	<b>21,724,817</b>	<b>34,084,933</b>
<b>Sewerage</b>		
Current (0 -30 days)	7,901,265	5,133,729
31 - 60 days	2,019,321	4,670,053
61 - 90 days	1,830,423	1,300,625
91 - 120 days	1,738,283	1,213,077
> 120 days	47,924,146	37,311,180
Less: Provision for bad debts	(35,716,553)	(30,947,145)
	<b>25,696,885</b>	<b>18,681,519</b>
<b>Refuse</b>		
Current (0 -30 days)	6,764,217	4,078,942
31 - 60 days	1,552,116	3,569,343
61 - 90 days	1,362,762	1,194,941
91 - 120 days	1,265,890	1,123,628
> 120 days	39,524,133	30,305,536
Less: Provision for bad debts	(29,032,282)	(25,112,816)
	<b>21,436,836</b>	<b>15,159,574</b>
<b>Interest ■ overdue accounts</b>		
Current (0 -30 days)	6,882,958	4,025,213
31 - 60 days	3,538,945	7,830,606
61 - 90 days	3,881,740	3,664,680
91 - 120 days	3,802,195	3,506,862
> 120 days	100,693,059	67,465,081
Less: Provision for bad debts	(63,160,441)	(53,934,439)
	<b>55,638,456</b>	<b>32,558,003</b>

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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#### 5. Consumer debtors (continued)

##### VAT on debtors

Current (0 -30 days)	28,508,777	9,885,853
31 - 60 days	1,237,401	5,423,773
61 - 90 days	920,079	2,066,755
91 - 120 days	984,076	1,670,298
> 120 days	24,230,076	33,587,943
Less: Provision for bad debts	(35,063,104)	(32,821,582)
	<b>20,817,305</b>	<b>19,813,040</b>

##### Other debtors

Current (0 -30 days)	722,132	13,301,314
31 - 60 days	363,364	1,912,919
61 - 90 days	1,695,023	337,897
91 - 120 days	967,703	453,966
> 120 days	64,823,457	46,513,315
Less: Provision for bad debts	(49,233,069)	(38,985,480)
	<b>19,338,610</b>	<b>23,533,931</b>

##### Reconciliation of allowance for impairment

Balance at beginning of the year	398,733,192	272,353,644
Contributions to allowance	60,996,935	126,379,548
	<b>459,730,127</b>	<b>398,733,192</b>

#### 6. VAT receivable

Net balance receivable	20,928,198	16,938,510
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The Municipality is registered for VAT on a payment basis.

#### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	25,376,757	18,402,805
Current Investments	177,370,355	221,358,551
Other cash and cash equivalents	33,192	33,192
	<b>202,780,304</b>	<b>239,794,548</b>

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents.

The management of the municipality is of the opinion that the carrying value of bank balances, current investments and other cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

The fair value of bank balances, current investments and other cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand 2020 2019

#### 7. Cash and cash equivalents (continued)

The municipality had the following bank balances

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2020	June 30, 2019	June 30, 2018
Absa - Current - 4090067672	9,651,922	1,306,176	17,811,610	12,957,845	1,100,308	15,981,682
Absa - Current - 680000093	-	-	-	(10,841)	-	-
Absa - Cheque - 4086801907	-	-	-	(150)	-	-
Absa - Cheque - 4086805171	-	-	-	17,204	-	-
Absa - Current - 2250000017	605,548	508,569	152,788	604,387	508,569	152,788
Absa - Cheque - 4086831794	-	-	-	(6,007)	-	-
First National Bank - Current - 62413246241	2,903,523	11,518,828	6,436,145	2,899,779	11,518,828	6,436,145
First National Bank - Traffic fines - 62413454133	5,282,296	4,524,151	3,021,049	5,277,183	4,524,151	3,021,049
Nedbank - Current - 1497222400	3,646,912	742,387	48,832,360	3,647,112	742,387	48,832,360
Nedbank - Current - 1497222451	-	8,565	8,565	-	8,565	8,565
Nedbank - Current - 1497222443	-	-	-	(9,755)	-	-
<b>Total</b>	<b>22,090,201</b>	<b>18,608,676</b>	<b>76,262,517</b>	<b>25,376,757</b>	<b>18,402,808</b>	<b>74,432,589</b>

The municipality had the following current investments

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2020	June 30, 2019	June 30, 2018
Nedbank - Call deposit - 03/7881004517/000083	124,283,100	171,021,831	21,666,132	124,283,100	171,021,831	21,666,132
Nedbank - Fixed deposit - 03/7881004517/000089	-	-	85,919,024	-	-	85,919,024
Nedbank - Fixed deposit - 03/7881004517/000081	-	-	-	4	4	4
Standard bank - 43 846 0944_038 - Call deposit	50,336	48,350	46,337	50,336	48,350	46,337
Standard bank - Call deposit - 43 846 0944-045	37,900,461	36,272,862	34,468,168	37,900,461	36,272,862	34,468,168
Investec bank - Call deposit - 1400-190518-500	203,901	192,692	180,685	203,901	192,692	180,685
First National Bank - Fixed deposit - 62027926726	-	4,264	4,399	-	4,264	4,399
First National Bank - Call - 62419914991	-	55,949	52,661	-	55,949	52,661
First National Bank - Call - 62419921417	-	71,632	67,407	-	71,632	67,407
Absa - Municipal funds - 405583287	14,105,548	13,574,381	12,995,561	14,105,548	13,574,381	12,995,561
Absa - Call - 9324900933	827,003	116,583	1,065,535	827,003	116,583	1,065,535
<b>Total</b>	<b>177,370,349</b>	<b>221,358,544</b>	<b>156,465,909</b>	<b>177,370,353</b>	<b>221,358,548</b>	<b>156,465,913</b>



# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

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### 8. Investment property

2020		2019	
Cost	Accumulated depreciation and impairment	Carrying value	Cost
63,182,049	-	63,182,049	63,775,615
			Accumulated depreciation and impairment
			-
			63,775,615

### Reconciliation of investment property - 2020

Investment property

Opening balance	Disposals	Total
63,775,615	(593,566)	63,182,049

### Reconciliation of investment property - 2019

Investment property

Opening balance	Total
63,775,615	63,775,615

### Pledged as security

There are no contractual obligations on Investment Property.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

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### 9. Property, plant and equipment

	2020		2019	
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation
Land	427,606,149	-	427,606,149	427,643,078
Buildings	422,199,220	(259,131,193)	163,068,027	422,089,460
Library books	26,635,159	(21,194,822)	5,440,337	25,420,915
Infrastructure	6,095,508,009	(3,286,979,645)	2,808,528,364	5,952,708,549
Community	641,314,343	(376,977,396)	264,336,947	628,804,434
Other property, plant and equipment	206,635,076	(133,445,513)	73,189,563	216,109,117
<b>Total</b>	<b>7,819,897,956</b>	<b>(4,077,728,569)</b>	<b>3,742,169,387</b>	<b>7,672,775,553</b>
				<b>(3,846,908,886)</b>
				<b>3,825,866,667</b>

### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	427,643,078	-	(36,929)	-	-	427,606,149
Buildings	181,008,720	109,760	-	(17,872,043)	(178,410)	163,068,027
Library books	5,711,420	1,292,748	(3,219)	(1,461,452)	(99,160)	5,440,337
Infrastructure	2,837,727,540	150,256,661	(1,717,794)	(162,186,354)	(15,551,689)	2,808,528,364
Community	285,327,755	12,866,138	(109,026)	(25,010,368)	(8,737,552)	264,336,947
Other property, plant and equipment	88,448,154	3,177,280	(4,517,201)	(13,593,702)	(324,968)	73,189,563
	<b>3,825,866,667</b>	<b>167,702,587</b>	<b>(6,384,169)</b>	<b>(220,123,919)</b>	<b>(24,891,779)</b>	<b>3,742,169,387</b>

**JB Marks Local Municipality**  
Annual Financial Statements for the year ended June 30, 2020  
**Notes to the Annual Financial Statements**

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**9. Property, plant and equipment (continued)**  
**Reconciliation of property, plant and equipment - 2019**

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	428,003,622	-	(360,544)	-	-	427,643,078
Buildings	194,722,741	5,228,590	-	(18,942,611)	-	181,008,720
Library books	5,485,949	1,855,758	-	(1,224,598)	(405,689)	5,711,420
Infrastructure	2,920,943,573	111,360,332	(13,237,900)	(177,974,477)	(3,363,988)	2,837,727,540
Community	305,548,463	7,710,732	(1,760,367)	(26,172,073)	-	285,327,755
Other property, plant and equipment	78,415,194	25,591,449	(1,110,578)	(13,578,259)	(869,652)	88,448,154
	<b>3,933,120,542</b>	<b>151,746,861</b>	<b>(16,469,389)</b>	<b>(237,892,018)</b>	<b>(4,639,329)</b>	<b>3,825,866,667</b>

**Pledged as security**

The municipality did not pledge any of its assets as security

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>9. Property, plant and equipment (continued)</b>		
<b>Carrying amounts of Infrastructure projects experiencing delays ■■ halted:</b>		
Ikageng Extension 11 Water Reticulation (Erven 15581, 16653)	5,691,897	5,691,837
Electrification of 34 Households in Doornkop	537,126	537,126
Construction of Spruit and Medow Roads	1,719,434	1,719,434
Construction of Floodline Channel in Ikageng Ext.11	-	18,521,837
Rysmierbult Water Project	560,671	560,671
Upgrade of 225mm Water Main Lakeside	858,580	858,580
Electrification of Ventersdorp Ext 9,10,11	812,606	812,606
Bulk Electrical Supply Line Boikhutsong	4,053,666	4,053,666
Electrification of 300 Households Ext.7	1,423,491	1,423,491
Construction of Lekhele Street	2,513,333	2,513,333
Construction of Water, Sewer and Top Structures in Ikageng Ext 11	5,691,837	5,691,837
Upgrading of Dolomite Infrastructure at Ikageng Phase 2	-	2,900,837
Refurbishment of Ventersdorp Waste Water Treatment	-	15,247,228
Ventersdorp Water Conservation Demand Management	-	7,116,958
Toevlug Pump Station	6,491,363	6,491,363
Mohadin Water & Sewer Reticulation (104 Stands)	298,650	298,650
	<b>30,652,654</b>	<b>74,439,454</b>

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### 9. Property, plant and equipment (continued)

The following projects are currently experiencing delays or were halted. The carrying amount of those assets included in the balance of Property, plant and equipment are listed above. For each project, the reason for the delay or halting of the project were noted as below:

**Ikageng Extension 11 Water Reticulation (Erven 15581, 16653) - Stagnant project.** The beneficiaries are situated on the line of servitude.

**Electrification of 34 Households in Doornkop - Halted project.** The owner of the farm did not want to allow the electrical line to be completed. Negotiations is still ongoing.

**Construction of Spruit and Meadow Roads - Stagnant project.** The municipality only prepared the designs and tender documentation, however as a result of financial constraint all the internally funded projects during the 2017/2018 financial year were adjusted to zero.

**Construction of Floodline Channel in Ikageng Ext.11 - Halted project.** This is a 2016/2017 project which was at progress of 50%, and stopped because of financial constraints. The municipality budgeted for it in 2018/2019, but the challenge is there were two sewer infiltrations on the site, and were fixed by June 2019. 0% construction progress 2018/2019. There was movement for the project in 2019/2020 year.

**Rysmierbult Water Project - Delayed project.** The municipality has paid for the designs only. As a result of land ownership dispute, there was a delay in the implementation of the project.

**Upgrade of 225mm Water Main Lakeside - Stagnant project.** The municipality has paid for the designs only, however during the adjustment budget in 2017/2018 financial year, all internally funded projects were adjusted to zero. Request for funding has been submitted, to-date no approval has been received.

**Electrification of Ventersdorp Ext 9,10,11 - Stagnant project.** Due to lack of funding, the municipality will only be able to do the final completion of the project in the coming financial year once funding is allocated from DOE.

**Bulk Electrical Supply Line Boikhutsong - Stagnant project.** Due to lack of funding, the municipality will only be able to do the final completion of the project in the coming financial year once funding is allocated from DOE.

**Electrification of 300 Households Ext.7 - Stagnant project.** Due to a lack of funding, the municipality will only be able to do the final completion of the project in the coming financial year once funding is allocated from DOE.

**Construction of Lekhele Street - Stagnant project.** Due to a lack of funding, the municipality will only be able to do the final completion of the project in the coming financial year.

**Construction of Water, Sewer and Top Structures in Ikageng Ext 11 - Stagnant project.** Construction is on hold as a result of beneficiaries on the servitude whereby construction is not resuming.

**Upgrading of Dolomite Infrastructure at Ikageng Phase 2 - Stagnant project.** Due to a lack of funding, the municipality will only be able to do the final completion of the project in the coming financial year. The project formed part of the rehabilitation of sink hole in Phetlho Street and Kanana.

**Refurbishment of Ventersdorp Waste Water Treatment - Stagnant project.** Due to a lack of funding, the municipality will only be able to do the final completion of the project in the coming financial year once funding is allocated from DWS. In the 2019/2020, the project was completed.

**Ventersdorp Water Conservation Demand Management - Stagnant project.** Due to a lack of funding, the municipality will only be able to do the final completion of the project in the coming financial year once funding is allocated from DWS. In the 2019/2020, the project was completed.

**Toevlug Pump Station - Stagnant project.** Due to a lack of funding, the municipality will only be able to do the final completion of the project in the coming financial year once funding is allocated from DWS.

**Mohadin Water & Sewer Reticulation (104 Stands) - Stagnant project.** Due to a lack of funding, the municipality will only be able to do the final completion of the project in the coming financial year once funding is allocated from DWS.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### 9. Property, plant and equipment (continued)

##### Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	180,964,945	9,724,762	190,689,707
Additions/capital expenditure	149,881,519	12,975,899	162,857,418
Transferred to completed items	(99,846,540)	(764,943)	(100,611,483)
	<b>230,999,924</b>	<b>21,935,718</b>	<b>252,935,642</b>

##### Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Buildings	Total
Opening balance	129,002,079	11,231,151	140,233,230
Additions/capital expenditure	111,388,308	12,939,320	124,327,628
Transferred to completed items	(59,425,442)	(14,445,709)	(73,871,151)
	<b>180,964,945</b>	<b>9,724,762</b>	<b>190,689,707</b>

##### Expenditure incurred to repair and maintain property, plant and equipment

Refer to note 33 for expenditure incurred to repair and maintain Property Plant and Equipment during the reporting period.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### 10. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	7,214,301	-	7,214,301	13,447,916	-	13,447,916

#### Reconciliation of intangible assets - 2020

	Opening balance	Disposals	Total
Computer software	13,447,916	(6,233,615)	7,214,301

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Total
Computer software	9,313,701	4,134,215	13,447,916

#### Pledged as security

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. The municipality did not pledge any of its assets as security.

The following systems have been written off due to zero balances in the prior years.

They were fully amortised and are still in use by the municipality.

Micro Focus Cabal

Office Pro MVL

Project management system

#### Method of valuation

The municipality's Intangible Assets have indefinite useful lives and are therefore not amortised. No restrictions apply to any of the Intangible Assets of the municipality

## JB Marks Local Municipality

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#### 11. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museum collectables and monuments	56,840,723	-	56,840,723	56,931,602	-	56,931,602

#### Reconciliation of heritage assets 2020

	Opening balance	Additions	Disposals	Total
Museum collectables and monuments	56,931,602	27,879	(118,758)	56,840,723

#### Reconciliation of heritage assets 2019

	Opening balance	Additions	Disposals	Total
Museum collectables and monuments	57,015,920	7,402	(91,720)	56,931,602

#### Pledged as security

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

#### 12. Other financial assets

##### Designated at fair value

Listed shares	45,855	78,842
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Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates. Listed shares and unit trusts are measured at fair value using quoted market prices.

Unit trusts	160,424	161,317
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Unit trusts are portfolios of stock exchange securities in which investors can buy units. Listed shares and unit trusts are measured at fair value using quoted market prices.

206,279

240,159

##### At amortised cost

Long Term Investment - Investec Bank	62,602,080	57,062,093
--------------------------------------	------------	------------

The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.

The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

#### Total other financial assets

62,808,359

57,302,252



## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>12. Other financial assets (continued)</b>		
<b>Non-current assets</b>		
Designated at fair value	206,279	240,159
At amortised cost	62,602,080	57,062,093
	<b>62,808,359</b>	<b>57,302,252</b>
<b>13. Payables from exchange transactions</b>		
Trade creditors	271,229,801	264,459,592
Payments received in advanced	27,551,447	25,737,811
Unallocated debtors	57,744,835	38,214,346
Engineering services contributions	546,081	20,109
Staff leave	47,736,907	40,130,685
Retentions	19,006,797	11,847,517
Debtors salaries	(5,093,781)	(1,548,978)
Sundry creditors	-	6,922
Other Creditors	618,510	618,510
	<b>419,340,597</b>	<b>379,486,514</b>

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

#### 14. Payables from non-exchange transactions

Sundry deposits	14,830	14,830
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No credit period exists for payables from non-exchange transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its creditors. No terms for payment have been renegotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of creditors approximates their fair values.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

#### 15. Consumer deposits

Electricity and water	24,465,127	23,471,205
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No guarantees are held in lieu of consumer deposits.

Consumer deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

No interest is paid on consumer deposits held.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

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#### 16. Employee benefit obligations

##### Reconciliation of total employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

##### Carrying value

Post-retirement health care benefits liability	(142,287,111)	(162,848,704)
Long service awards liability	(20,896,408)	(20,250,415)
	<b>(163,183,519)</b>	<b>(183,099,119)</b>

##### Carrying value

Current liabilities	(13,048,410)	(11,751,308)
Non-current liabilities	(150,135,109)	(171,347,811)
	<b>(163,183,519)</b>	<b>(183,099,119)</b>

##### Post-retirement health care benefits liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

In accordance with the requirements of GRAP 25, the projected unit credit method has been applied. The assumption underlying the funding method is that the employer's post employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

##### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	162,848,704	182,689,147
Net expense recognised in the statement of financial performance	(19,915,600)	(19,840,443)
	<b>142,933,104</b>	<b>162,848,704</b>

##### Net expense recognised in the statement of financial performance

Current service cost	5,765,159	4,133,438
Interest cost	16,897,524	17,336,411
Actuarial (gains) losses	(11,751,308)	(30,097,703)
Benefits paid	(30,826,975)	(11,212,589)
	<b>(19,915,600)</b>	<b>(19,840,443)</b>

The net expense has been included as part on employee related costs and disclosed on Note 28.

##### Eligible employees

Active employees (on medical aid) - average age (years)	46.27
Active employees (on medical aid) - average employer monthly contribution (ZAR)	2,926
Continuation pensioners - average age (years)	71.87
Continuation pensioners - average employer monthly contribution (ZAR)	4,385

# JB Marks Local Municipality

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### 16. Employee benefit obligations (continued)

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.50 %	9.72 %
CPI	6.06 %	5.79 %
Health care cost inflation	7.56 %	7.29 %
Net Discount Rate	3.66 %	2.26 %

The basis on which the net discount rate has been determined is as follows:

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2019 the duration of liabilities was 11.19 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve at 30 June 2020 is 11.50% per annum, and the yield on the inflation linked bonds of similar term was about 4.66% per annum, implying an underlying expectation of inflation of 6.06% per annum  $([1 + 11.50\% - 0.5\%] / [1 + 4.66\%] - 1)$ .

A health care cost inflation rate of 7.56% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and health care inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.66% per annum  $([1 + 11.50\%] / [1 + 7.56\%] - 1)$ . This year's valuation basis is, therefore, stronger than previous year's basis from a discount rate perspective.

#### Sensitivity Analysis

##### Medical inflation and discount rate

	- 1% decrease (R's)	June 2020 Valuation basis (R's)	1% increase (R's)
<b>Medical Inflation Rate</b>			
Employer's accrued liability	128,402,758	142,284,111	158,648,660
Employer's current service cost	2,919,367	3,464,240	4,140,172
Employer's interest cost	14,178,324	15,772,272	17,651,110
<b>Discount Rate</b>			
Employer's accrued liability	157,663,591	142,287,111	2,968,242
Employer's current service	4,081,819	3,464,240	3,483,080
Employer's interest cost	16,015,300	15,772,272	15,532,901

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### 16. Employee benefit obligations (continued)

##### Demographic and decrement assumptions used are as follows:

The assumed normal retirement age is 65 years and the fully accrued age (to take account for ill-health and early retirement decrements) is 63 years for active employees on the medical aid.

The assumed age difference between spouses is 5 years for active employees on the medical aid and the actual years are used for pensioners.

The assumed mortality used was based on the SA85/90 mortality table for active members on the medical aid and the PA(90)-1 table for pensioners.

##### Continuation on medical aid at retirement age assumptions used as follows:

It was assumed that 50% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

##### Long service awards liability

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long-service award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover.

No other long-service benefits are provided to employees.

The most recent actuarial valuations of the defined benefit obligation were carried out as at 30 June 2020 by One Pangaea Expertise & Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP 25.

##### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	20,250,415	18,815,102
Net expense recognised in the statement of financial performance	645,993	1,435,313
	<b>20,896,408</b>	<b>20,250,415</b>

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>16. Employee benefit obligations (continued)</b>		
<b>Net expense recognised in the statement of financial performance</b>		
Current service cost	1,628,957	330,474
Interest cost	1,550,200	1,558,882
Actuarial (gains) losses	(690,696)	(16,161)
Benefits paid	(1,842,468)	(437,882)
	<b>645,993</b>	<b>1,435,313</b>

The net expense has been included as part on employee related costs and disclosed on Note 27.

#### Eligible employees

Number of employees	1,353	1,318
Average annual salary (ZAR)	193,562	197,900
Average age (years)	45.1	45.1
Average past service (years)	11.2	11.1

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.02 %	8.02 %
CPI	3.01 %	4.34 %
Expected increase in salaries	4.01 %	5.34 %
Net Discount Rate	3.86 %	2.54 %

The basis on which the net discount rate has been determined is as follows:

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2019 the duration of liabilities was 5.92 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2020 is 8.02% per annum, and the yield on inflation-linked bonds of a similar term was about 4.38% per annum. This implies an underlying expectation of inflation of 3.01% per annum  $[(1 + 8.02\% - 0.5\%) / (1 + 4.38\%) - 1]$ .

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.01% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 3.86% per annum  $[(1 + 8.02\%) / (1 + 4.01\%) - 1]$ .

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

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### 16. Employee benefit obligations (continued)

#### Sensitivity Analysis

Salary increase and Discount rate

	- 1% decrease (R's)	30 June 2020 Valuation basis (R's)	1% increase (R's)
<b>Salary Increase Rate</b>			
Employer's accrued liability	19,778,980	20,896,408	22,116,224
Employer's current service cost	1,516,974	1,622,556	1,739,580
Employer's interest cost	1,475,014	1,564,632	16,662,461
<b>Discount Rate</b>			
Employer's accrued liability	22,080,410	20,896,408	19,828,246
Employer's current service	1,736,118	1,622,556	1,521,596
Employer's interest cost	1,452,240	1,564,632	1,663,903

Demographic and decrement assumptions used are as follows:

The assumed average retirement age (years) is 63 (males) and 58 (females) for the current and prior financial years.

The assumed mortality used ■■■■ based on the SA85/90 mortality table for the current and prior financial years.

### 17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Dr Kenneth Kaunda District Projects	18,515	18,515
Provincial: Department Arts and Culture - Library Grant	2,616,232	3,629,235
Lotto: Mohadin Stadium	113,369	491,999
Lotto: Tshwaraganang	644	263,972
Lotto: Sarafina Sports Facilities	787,245	787,245
National: Municipal Infrastructure Grant (MIG)	5,867,041	2,418,412
Local Government - SETA Grant (LG SETA)	901,721	901,721
National: Integrated National Electrification Program (INEP)	10,190,824	3,750,466
Fire and Emergency Grant	20,738	20,738
Provincial: Health Subsidies	13,996	13,996
LED - City Branding	69,417	69,417
LED - Projects Tourism Initiative	90,722	90,722
National: Municipal Systems Improvement Grant (MSIG)	-	488,750
	<b>20,690,464</b>	<b>12,945,188</b>

The unspent conditional grants and receipts are invested in investment accounts until utilised. See Note 25 for the reconciliation of grants from government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

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#### 18. Provisions

##### Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Performance bonuses	2,024,433	-	2,024,433
Rehabilitation of Land-fill Sites	36,911,704	3,376,350	40,288,054
	<b>38,936,137</b>	<b>3,376,350</b>	<b>42,312,487</b>

##### Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Performance bonuses	2,024,433	-	2,024,433
Rehabilitation of Land-fill Sites	34,861,610	2,050,094	36,911,704
	<b>36,886,043</b>	<b>2,050,094</b>	<b>38,936,137</b>

  

Non-current liabilities	40,288,054	36,911,704
Current liabilities	2,024,433	2,024,433
	<b>42,312,487</b>	<b>38,936,137</b>

##### Environmental rehabilitation provision

In terms of the licensing of two landfill refuse sites, the municipality will incur estimated rehabilitation costs of R 23 880 823 for the Ventersdorp landfill site and R 45 319 129 for the Felophepa landfill site at the end of their useful lives, estimated to be in 2034 for Vendersdorp landfill site and 2022 for Felophepa landfill site, based on recent valuation reports.

The discount rate used is the weighted average cost of capital (WACC) calculated for the both the Ventersdorp and Felophepa landfill sites to be 8.375% based on valuations.

The 2019 and 2020 financial years' landfill closure provisions were calculated using a different methodology as compared to previous financial years. Whereas previously the closure and rehabilitation costs were calculated using ■ mining rehabilitation methodology, the current methodology is based on prevailing industry trends and regulatory dictates for the closure of landfills. In particular, the landfill classification system has changed from the Minimum Requirements for Waste Disposal by Landfill to the National Environmental Management: Waste Act (59/2008): Waste Classification and Management Regulations (Gazette No. 36784). The change effectively puts stricter conditions on landfill closure and rehabilitation, with a concomitant increase in costs, especially for sites previously classified ■ Communal and Small. The mining rehabilitation methodology used previously understated the future costs, hence the adjustments required in this financial year.

The 2020 rehabilitation and closure costs were based on information gathered at the site inspections (visual assessment, asset register, and JBM LM data) and assumptions regarding the timing of the future development of each site. These valuations were performed by EMS Advisory (PTY) LTD for the 2019/2020 financial period.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>19. Revenue</b>		
Service charges	884,323,390	888,771,867
Rental of facilities and equipment	4,515,135	6,148,402
Agency services	8,256,619	10,077,250
Licences and permits	3,148,143	5,804,699
Miscellaneous other revenue	9,242,701	12,803,552
Interest received	52,312,581	67,359,016
Dividends received	4,192	3,934
Property rates	184,845,555	177,751,062
Government grants & subsidies	412,680,385	371,271,988
Public contributions and donations	2,724,355	2,138,393
Fines, penalties and forfeits	5,771,433	160,380,209
	<b>1,567,824,489</b>	<b>1,702,510,372</b>

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	884,323,390	888,771,867
Rental of facilities and equipment	4,515,135	6,148,402
Agency services	8,256,619	10,077,250
Licences and permits	3,148,143	5,804,699
Miscellaneous other revenue	9,242,701	12,803,552
Interest received	52,312,581	67,359,016
Dividends received	4,192	3,934
	<b>961,802,761</b>	<b>990,968,720</b>

The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	184,845,555	177,751,062
<b>Transfer revenue</b>		
Government grants & subsidies	412,680,385	371,271,988
Public contributions and donations	2,724,355	2,138,393
Fines, penalties and forfeits	5,771,433	160,380,209
	<b>606,021,728</b>	<b>711,541,652</b>

#### 20. Service charges

Sale of electricity	672,754,964	658,965,065
Sale of water	89,861,822	115,017,798
Sewerage and sanitation charges	68,752,828	65,027,539
Refuse removal	52,953,776	49,761,465
	<b>884,323,390</b>	<b>888,771,867</b>

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

#### 21. Rental of facilities and equipment

<b>Facilities and equipment</b>		
Rental of facilities	4,515,135	6,148,402

Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.



## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>22. Investment revenue</b>		
<b>Dividend revenue</b>		
Other financial assets - investments in shares	4,192	3,934
<b>Interest revenue</b>		
Current Investments	11,060,291	16,359,768
Investec Promissory Note	5,539,988	5,036,700
Eskom deposits	214,290	228,834
Bank balances	2,714,541	5,713,210
Interest charged on trade and other receivables	32,783,471	39,956,743
Interest received - SARS	-	63,761
	<b>52,312,581</b>	<b>67,359,016</b>
	<b>52,316,773</b>	<b>67,362,950</b>
<b>23. Sundry income</b>		
Administration and management fees received - third party	3,137,258	4,156,822
Fees earned	1,312,345	1,845,999
Building Fees	632,732	1,505,351
Sundries	147,954	101,056
Clearance certificates	543,229	476,294
Sewerage plan fees	345,005	366,395
Funeral fees	1,034,319	1,097,611
Display posters	251,431	446,310
Marketing	167,525	279,282
Admission: Motor Vehicles	409,758	568,970
Levy legal expenses	134,039	177,643
Other income	1,133,106	1,781,818
	<b>9,248,701</b>	<b>12,803,551</b>

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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#### 24. Property rates

##### Rates received

Property rates	184,845,555	177,751,062
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Property rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last valuation came into effect 1 July 2012 (at Tlokwe) and 1 July 2014 at Ventersdorp. The new valuation roll for JB Marks Local Municipality will come into effect on the 1st of July 2019.

Rates are levied monthly on property owners and are payable at the end of each month.

##### Valuations

Residential	28,452,065,750	22,417,498,500
Agricultural	12,339,605,140	9,587,528,200
Industrial / commercial	905,855,000	720,931,000
State	2,591,570,000	1,596,242,000
Municipal	170,500,000	913,650,950
Public service infrastructure	2,829,630,477	2,830,373,500
Multi-purpose	847,722,000	357,301,000
	<b>48,136,948,367</b>	<b>38,423,525,150</b>

Valuations on land and buildings are performed every 3 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Supplementary valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation was implemented on 01 July 2019 and will be in effect until 30 June 2023 with a possible 1 year extension.

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

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### 25. Government grants and subsidies

#### Operating grants

Equitable share grant	257,937,000	233,655,366
Local Government - SETA Grant (LG SETA)	-	362,159
National: Expanded Public Works Program Grant (EPWP)	2,097,000	1,947,000
National: Finance Management Grant (FMG)	3,000,000	4,115,000
Provincial: Department Arts and Culture - Library Grant	1,013,003	727,588
Municipal Disaster Relief Grant	1,013,000	-
Municipal Systems Improvement Grant (MSIG)	488,750	566,250
	<b>265,548,753</b>	<b>241,373,363</b>

#### Capital grants

National: Municipal Infrastructure Grant (MIG)	74,553,371	61,919,735
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)	6,000,000	4,926,310
National: Water Services Infrastructure Grant (WSIG)	-	20,000,000
Lotto: Tshwaragnang	263,328	-
Provincial Infrastructure Grant (PIG)	19,088,947	-
National: Regional Bulk Infrastructure Grant (RBIG)	21,032,714	12,386,047
National: Integrated National Electrification Program (INEP)	25,814,642	30,666,533
Lotto: Mohadin	378,630	-
	<b>147,131,632</b>	<b>129,898,625</b>
	<b>412,680,385</b>	<b>371,271,988</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100% monthly subsidy on all basic services based on the monthly billing, towards their consumer account. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month.

#### Dr Kenneth Kaunda District Projects

Balance unspent at beginning of year	18,515	18,515
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>18,515</b>	<b>18,515</b>

#### Provincial: Department Arts and Culture (Library Grant)

Balance unspent at beginning of year	3,629,235	3,167,823
Current-year receipts	-	1,189,000
Conditions met - transferred to revenue	(1,013,003)	(727,588)
	<b>2,616,232</b>	<b>3,629,235</b>

#### National: Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	-
Current-year receipts	21,032,714	12,386,047
Conditions met - transferred to revenue	(21,032,714)	(12,386,047)
	<b>-</b>	<b>-</b>

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>25. Government grants and subsidies (continued)</b>		
<b>National: Energy Efficiency and Demand Side Management Grant (EEDSMG)</b>		
Balance unspent at beginning of year	-	4,926,310
Current-year receipts	6,000,000	-
Conditions met - transferred to revenue	(6,000,000)	(4,926,310)
	-	-
<b>Municipal Disaster Relief Grant</b>		
Current-year receipts	1,013,000	-
Conditions met - transferred to revenue	(1,013,000)	-
	-	-
<b>National: Expanded Public Works Program Grant (EPWP)</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	2,097,000	1,947,000
Conditions met - transferred to revenue	(2,097,000)	(1,947,000)
	-	-
<b>National: Water Services Infrastructure Grant</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	-	20,000,000
Conditions met - transferred to revenue	-	(20,000,000)
	-	-
<b>National: Municipal Finance Management Grant (FMG)</b>		
Balance unspent at beginning of year	-	-
Current-year receipts	3,000,000	4,115,000
Conditions met - transferred to revenue	(3,000,000)	(4,115,000)
	-	-
<b>Lotto: Mohadin Stadium</b>		
Balance unspent at beginning of year	491,999	491,999
Current-year receipts	-	-
Conditions met - transferred to revenue	(378,630)	-
	<b>113,369</b>	<b>491,999</b>
<b>Lotto: Tshwaraganang</b>		
Balance unspent at beginning of year	263,972	263,972
Current-year receipts	-	-
Conditions met - transferred to revenue	(263,328)	-
	<b>64,644</b>	<b>263,972</b>
<b>Lotto: Sarafina Sports Facilities</b>		
Balance unspent at beginning of year	787,245	787,245
Current-year receipts	-	-

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>25. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	-	-
	<b>787,245</b>	<b>787,245</b>
<b>National: Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	2,418,412	7,498,147
Current-year receipts	78,690,000	56,840,000
Conditions met - transferred to revenue	(74,553,371)	(61,919,735)
Rollover denied	(688,000)	-
	<b>5,867,041</b>	<b>2,418,412</b>
<b>National - SETA Grant</b>		
Balance unspent at beginning of year	901,721	1,176,830
Current-year receipts	-	87,050
Conditions met - transferred to revenue	-	(362,159)
	<b>901,721</b>	<b>901,721</b>
<b>National: Integrated National Electrification Program (INEP)</b>		
Balance unspent at beginning of year	3,750,466	12,001,364
Rollover denied	-	(9,501,365)
Current-year receipts	32,255,000	31,917,000
Conditions met - transferred to revenue	(25,814,642)	(30,666,533)
	<b>10,190,824</b>	<b>3,750,466</b>
<b>Fire and Emergency Grant</b>		
Balance unspent at beginning of year	20,738	20,738
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>20,738</b>	<b>20,738</b>
<b>Provincial: Health Subsidies</b>		
Balance unspent at beginning of year	13,996	13,996
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>13,996</b>	<b>13,996</b>
<b>LED - City Branding</b>		
Balance unspent at beginning of year	69,417	69,417
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>69,417</b>	<b>69,417</b>

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>25. Government grants and subsidies (continued)</b>		
<b>LED Projects Tourism Initiative</b>		
Balance unspent at beginning of year	90,722	90,722
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	<b>90,722</b>	<b>90,722</b>
<b>National: Municipal Systems Improvement Grant (MSIG)</b>		
Balance unspent at beginning of year	488,750	-
Current-year receipts	-	1,055,000
Conditions met - transferred to revenue	(488,750)	(566,250)
	<b>-</b>	<b>488,750</b>
<b>Provincial Infrastructure Grant</b>		
Current-year receipts	19,088,947	-
Conditions met - transferred to revenue	(19,088,947)	-
	<b>-</b>	<b>-</b>
Conditions still to be met - remain liabilities (see note 17).		
<b>26. Public contributions and donations</b>		
ERF donations received	2,724,355	2,138,393

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>27. Employee related costs</b>		
Basic	273,499,716	244,621,015
Medical aid - company contributions	33,142,595	28,427,807
Defined contribution plans	(19,915,600)	(18,405,130)
Travel, motor car, accommodation, subsistence and other allowances	11,386,798	10,528,615
Overtime payments	67,354,936	66,849,248
13th Cheques	18,477,220	17,907,629
Standby allowances	13,190,390	5,721,272
Housing benefits and allowances	1,334,238	1,488,621
Group insurance	5,281,752	4,838,172
Pension fund	45,417,267	44,622,564
Redemption of leave	11,801,708	9,794,398
Phone allowance	754,318	738,257
Other payments	1,430,112	1,712,630
	<b>463,155,448</b>	<b>418,845,098</b>

#### Remuneration of Municipal Manager

Annual Remuneration	1,392,999	710,458
Car Allowance	60,000	-
Cellphone	27,000	-
Contributions to UIF, Medical and Pension Funds	103,875	54,919
Skills development Levy	12,240	8,653
Housing Allowance	3,200	-
Other	670	28,418
	<b>1,599,984</b>	<b>802,448</b>

The Municipal Manager L Ralekgetho was appointed on the 1st of January 2019 to date.

#### Remuneration of Acting Municipal Manager

Annual Remuneration	-	110,302
Car Allowance	-	20,000
Cellphone Allowance	-	2,000
Contributions to UIF, Medical and Pension Funds	-	49,566
Skills development Levy	-	4,019
Acting Allowance	-	255,341
Housing Allowance	-	19,752
	-	<b>460,980</b>

Acting Municipal Manager CP Henry was appointed on the 1st of March 2018 to 31st of August 2018.

Acting Municipal Manager M Jansen was appointed on the 1st of September 2018 to the 31st of December 2018.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>27. Employee related costs (continued)</b>		
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	790,476	742,961
Car Allowance	274,308	277,490
Cellphone Allowance	12,000	12,000
Contributions to UIF, Medical and Pension Funds	280,749	261,187
Skills development Levy	9,409	12,366
Housing Allowance	181,123	198,608
Other	1,072	31,387
	<b>1,549,137</b>	<b>1,535,999</b>

The Chief Finance Officer T Moeketsane was appointed on the 1st of January 2018 to date.

#### Remuneration of Director: Municipal Services

Annual Remuneration	722,748	678,960
Car Allowance	336,000	156,679
Cellphone Allowance	12,000	10,000
Contributions to UIF, Medical and Pension Funds	297,012	278,869
Skills development Levy	8,071	9,748
Housing Allowance	-	98,331
Other	-	27,084
	<b>1,375,831</b>	<b>1,259,671</b>

#### Remuneration of Director: Corporate Services

Annual Remuneration	747,195	298,995
Car Allowance	174,000	72,500
Cellphone	17,000	-
Contributions to UIF, Medical and Pension Funds	205,312	82,451
Skills development Levy	6,627	3,963
	<b>1,150,134</b>	<b>457,909</b>

BMB Mosepele was appointed on the 1st of February 2019.



## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>27. Employee related costs (continued)</b>		
<b>Remuneration of Director: Infrastructure</b>		
Annual Remuneration	203,661	231,762
Car Allowance	150,000	28,997
Cellphone Allowance	6,000	4,000
Contributions to UIF, Medical and Pension Funds	101,710	-
Skills development Levy	2,870	6,219
Housing Allowance	102,000	108,990
Other	-	1,448
	<b>566,241</b>	<b>381,416</b>

BM Zungu was appointed Director Infrastructure on the 1st of August 2013 to 30 September 2018.

JK Monnakgothu was appointed Director Infrastructure on the 6th of January 2020 to date.

#### Remuneration of Acting Director: Infrastructure

Annual Remuneration	109,632	360,290
Car Allowance	26,401	98,757
Cellphone Allowance	1,800	6,300
Contributions to UIF, Medical and Pension Funds	54,002	173,082
Skills development Levy	2,661	6,397
Acting Allowance	-	83,455
Bonus	22,840	51,470
Other	111,344	37,775
	<b>328,680</b>	<b>817,526</b>

The Acting Director Infrastructure J Van Den Berg was appointed on the 1st of November 2018 to 31 August 2019.

#### Remuneration of Director: Public Safety

Annual Remuneration	730,298	298,233
Car Allowance	177,971	72,500
Cellphone	17,000	-
Contributions to UIF, Medical and Pension Funds	230,590	85,601
Skills development Levy	6,695	4,008
Other	809	-
	<b>1,163,363</b>	<b>460,342</b>

#### 28. Remuneration of councillors

Executive Major	941,060	913,723
Mayoral Committee Members	7,250,647	5,722,702
Speaker	760,757	745,191
Chief Whip	717,560	685,403
MPAC	700,508	691,722
Councillors	17,741,264	17,702,755
	<b>28,111,796</b>	<b>26,461,496</b>

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### ■ Remuneration of councillors (continued)

##### In-kind benefits

The Councillor occupying the position of Mayor of the municipality serve in a full-time capacity. They are provided with office accommodation, tools of trade and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor make use of a full time body guard/driver.

The Executive Mayor make use of a secretary, personal assistant and and office.

The Speaker make use of Council owned vehicles for official duties.

The Speaker make use of a secretary and office

##### Remuneration of Executive Mayor

Annual Remuneration	528,320	507,760
Car Allowance	223,463	214,868
Cellphone Allowance	40,800	40,800
Contributions to UIF, Medical and Pension Funds	142,707	136,843
Housing Allowance	-	13,452
Skills development Levy	5,770	-
	<b>941,060</b>	<b>913,723</b>

##### Remuneration of Members of the Mayoral Committee

Annual Remuneration	4,304,958	3,438,652
Car Allowance	1,728,984	1,349,501
Cellphone Allowance	408,000	338,178
Contributions to UIF, Medical and Pension Funds	763,308	571,350
Skills development Levy	45,398	-
Other	-	25,021
	<b>7,250,648</b>	<b>5,722,702</b>

##### Remuneration of Speaker

Annual Remuneration	434,064	417,133
Car Allowance	178,770	173,360
Cellphone Allowance	40,800	40,800
Contributions to UIF, Medical and Pension Funds	102,501	99,934
Skills development Levy	4,622	-
Other	-	13,964
	<b>760,757</b>	<b>745,191</b>

##### Remuneration of Chief Whip

Annual Remuneration	416,579	398,289
Car Allowance	167,597	161,151
Cellphone Allowance	40,800	40,800
Contributions to UIF, Medical and Pension Funds	88,259	85,163

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>28. Remuneration of councillors (continued)</b>		
Skills development Levy	4,325	-
	<b>717,560</b>	<b>685,403</b>
<b>Remuneration of MPAC</b>		
Annual Remuneration	380,665	365,783
Car Allowance	166,738	172,116
Cellphone Allowance	40,800	40,800
Contributions to UIF, Medical and Pension Funds	108,016	103,487
Skills development Levy	4,289	-
Other	-	9,536
	<b>700,508</b>	<b>691,722</b>
<b>Remuneration of Councillors</b>		
Annual Remuneration	10,040,629	9,885,623
Car Allowance	3,862,799	3,868,111
Cellphone Allowance	2,137,770	2,227,326
Contributions to UIF, Medical and Pension Funds	1,590,989	1,705,169
Skills development Levy	109,076	-
Other	-	16,525
	<b>17,741,263</b>	<b>17,702,754</b>
<b>29. Depreciation and amortisation</b>		
Property, plant and equipment	220,123,920	237,814,238
<b>30. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	24,891,843	4,639,329
<b>31. Finance costs</b>		
	-	-
Finance costs - Landfill site liability	3,376,350	2,050,094
Bank	4,426	950
Other creditors	1,787,193	1,817,496
	<b>5,167,969</b>	<b>3,868,540</b>
<b>32. Debt impairment</b>		
Contributions to debt impairment provision	69,294,816	274,873,839

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>33. Repairs and maintenance</b>		
Community Assets	3,990,045	4,023,217
Infrastructure - Electricity transmission and raticulation network	8,755,669	13,164,526
Infrastructure - Other	646,097	535,683
Infrastructure - Roads and Pavements	7,664,385	2,917,750
Infrastructure - Sanitation networks	6,694,555	5,499,450
Infrastructure - Water reticulation network	11,155,974	22,984,027
Land and Buildings	7,390,220	4,547,003
Other assets - Property, Plant and Equipment	12,110,809	12,438,440
<b>Total repairs and maintenance</b>	<b>58,407,754</b>	<b>66,110,096</b>
<b>34. Bulk purchases</b>		
Electricity	545,548,183	477,526,732
Water	22,827,356	23,363,864
	<b>568,375,539</b>	<b>500,890,596</b>

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst raw water is purchased from the Department of Water and Sanitation.

### 35. Contracted services

Consulting Services	4,361,240	875,506
Financial Management Services	17,046,483	13,281,270
Information Systems	6,876,355	5,596,931
Meter Reading	2,629,744	2,620,074
Other contractors	3,247,851	3,512,165
Refuse removal	22,006,585	6,186,427
Security Services	45,901,167	32,573,046
Town Planning	4,464,939	5,802,838
Valuation Services	1,950	2,081
Strategic Planning	72,297	4,703,752
	<b>106,608,611</b>	<b>75,154,090</b>

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>36. General expenses</b>		
Advertising	2,104,505	2,290,658
Auditors remuneration	7,098,682	7,774,164
Bank charges	2,064,113	1,672,450
Chemicals	5,258,136	3,665,757
Cleaning	11,059,061	2,468,673
Commission paid	14,985,040	13,863,446
Community development and training	1,130,104	1,065,641
Consumables	557,764	53,854
Entertainment	-	440,000
Extension services	29,606	24,706
Fuel and oil	6,716,128	4,168,638
IT expenses	7,211,408	5,652,405
Indigent funeral costs	1,376,985	1,041,758
Indigent grant costs	8,462,901	7,141,339
Insurance	5,886,259	7,467,464
Landscaping expenses	1,225,994	3,629,073
Legal expenses	6,889,470	8,061,944
Levies	299,063	65,968
Magazines, books and periodicals	55,114	80,828
Medical expenses	91,214	124,661
Other expenditure	2,039,528	2,136,112
Other expenses	1,874,276	7,237,511
Penalties	-	1,002,535
Pest control	167,776	1,646
Postage and courier	2,814,270	3,582,915
Printing and stationery	2,742,898	2,822,569
Protective clothing	912,969	2,582,259
Refuse	-	898,065
Research and development costs	-	1,591
Security (Guarding of municipal property)	9,349	2,441,750
Sewerage and waste disposal	375,678	73,156
Sitting allowance audit committee	590,041	472,992
Staff welfare	4,573,971	3,983,831
Subscriptions and membership fees	4,770,792	4,929,270
Telephone and fax	34,540	18,742
Telephone system costs	-	997,202
Tourism development	290,681	264,626
Training	807,502	2,351,365
Travel - local	1,812,478	2,894,540
Utilities - refuse costs	79,957	94,921
Vehicle licence and permits fees	947,002	1,175,066
Ward committees	6,976,886	8,458,585
Water	105,937	1,837,734
	<b>114,428,078</b>	<b>121,012,410</b>
<b>37. Fair value adjustments</b>		
Other financial assets		
• Listed shares and Unit Trusts	(14,442)	10,330

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>38. Cash generated from operations</b>		
Deficit	(104,610,219)	(41,329,237)
<b>Adjustments for:</b>		
Depreciation and amortisation	220,123,920	237,814,238
Gain on sale of assets and liabilities	13,330,108	13,952,667
Fair value adjustments	14,442	(10,330)
Impairment deficit	24,891,843	5,639,329
Debt impairment	69,294,816	274,873,839
Movements in retirement benefit assets and liabilities	(19,915,600)	(18,405,130)
Movements in provisions	3,376,350	2,050,094
Staff leave	11,801,706	9,794,398
Public contributions and donations	(2,724,355)	(2,138,393)
Inventory adjustments	(7,729,350)	-
<b>Changes in working capital:</b>		
Inventories	(14,562,289)	(2,720,280)
Consumer debtors	(82,382,274)	87,847,261
Other receivables from non-exchange transactions	(10,198,502)	(158,954,338)
Payables from exchange transactions	28,052,377	22,898,643
VAT	(3,989,692)	(216,985,312)
Payables from non exchange	-	(2,916,057)
Unspent conditional grants and receipts	7,745,276	(17,581,890)
	<b>132,518,557</b>	<b>193,829,502</b>

### 39. Commitments

#### Authorised capital expenditure

#### Already contracted for but not provided for

▪ Property, plant and equipment	137,294,524	116,230,513
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This committed expenditure relates to various capital projects and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated and grant income received.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### 40. Contingencies

##### Claims against the Municipality

Ministry of Water and Sanitation	9,252,921	9,252,921
Lazer communications	1,094,253	1,094,253
Readira Refuge Services CC	3,289,330	3,289,330
T-Square Engineers	1,300,000	1,300,000
Morati Mataka ATT.	152,000	152,000
CH Stoltz	300,000	300,000
Kgomotso Segone	400,000	400,000
SO Matshidiso Construction	34,000,000	34,000,000
BA Manzi	-	12,000
Future Phambili	63,903,947	63,903,947
Tsela Tsweu Consulting Engineers	456,800	456,800
Nalko Engineering	5,514,403	5,514,403
Maximum Profit Recovery	363,279	363,279
Coil Construction	200,000	200,000
Kgolagano Ya Batho Constructions	232,000	232,000
	<b>120,458,933</b>	<b>120,470,933</b>

##### Ministry of Water and Sanitation

Ministry of Water and Sanitation issued summons against the Municipality for the payment of ZAR 9,252,921.15 in unpaid water bills by the Ventersdorp Municipality. The prospects of the Attorney's successfully defending the case are weak.

##### Lazer communications

Lazer communications (Tender 13(93)/2013) - both parties agreed to resolve the matter amicable without costly court proceedings. Claim amount against the Municipality of R1 094 253 and projected legal costs of R250 000.

##### Readira Refuge Services CC

Readira Refuge Services CC instituted action against the Municipality for unpaid balance to a contract at the High Court. Council could have financial exposure should the opposing side be successful with their claim of R3 289 330. Estimated further legal costs at a minimum R50 000.

##### T-Square Engineers

T-Square Engineers is claiming an amount of approximately R1,3 million against Ventersdorp Municipality for design and construction management costs. The original tendered amount was approximately R590 000 which has been paid but the supplier claims that a variation order was agreed for the full amount of the claim. Estimated financial exposure should the plaintiff claims be successful. Estimated further legal costs amount of R450 000.

##### Morati Mataka ATT.

Morati Mataka ATT. vs JB Marks municipality; Summons issued against the municipality for the amount of R152 500.00 for alleged legal service rendered. Legal council estimation of legal costs and disbursements of R100 000.

## **JB Marks Local Municipality**

Annual Financial Statements for the year ended June 30, 2020

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#### **40. Contingencies (continued)**

##### **CH Stoltz**

CH Stoltz vs JB Marks; Review application of R300 000.00 Labour matter.

##### **Kgomotso Segone**

Kgomotso Segone vs JB Marks; Employee served ■ letter of demand to claim R400 000.00 due to emotional distress suffered as ■ result of harassment by fellow employees.

##### **SO Matshidiso Construction**

This matter relates to the appointment of the service provider, SO Matshidiso Construction, to supply paraffin lamps, stoves and oil. The appointment of the service provider did not comply with the applicable legislation and is therefore void. The amounts paid to the service provider must also be refunded to the municipality, less the reasonable costs incurred by the service provider. Plaintiff claimed R34 million from council.

##### **BA MANZI**

BA MANZI// TLOKWE - Damages of R12 000 resulting from collision between the Plaintiff and an employee of the Municipality. The case was settled in the current year and Tlokwe Local Municipality paid the plaintiff an amount of R12 000 on 12 February 2019.

##### **FUTURE PHAMBILI**

FUTURE PHAMBILI // JB MARKS - Matter resulting from damages allegedly suffered by the Plaintiff, due to the alleged failure by the Municipality in ordering the monthly quantity of paraffin, as per the signed service level agreement. The plaintiff files its plea of R63 903 947 against the municipality's counter claim. Estimated further legal costs between R300 000 to R400 000

##### **TSELA TSWEU CONSULTING ENGINEERS**

TSELA TSWEU CONSULTING ENGINEERS // JB MARKS LOCAL MUNICIPALITY - Summons issued for service rendered with claim amount of R456 800.

##### **NALKO ENGINEERING**

NALKO ENGINEERING // JB MARKS / DR KK - Summons issued against the entities for service rendered with claim amount of R5 514 403.

##### **Maximum Profit recovery**

Maximum Profit recovery// JB marks - Claim of R 363 279.41 for commission for service rendered in respect of VAT recovery services rendered to the Municipality. Legal counsel estimation of legal costs and disbursements of R80 000.

##### **Coil Construction**

Coil Construction//JB Marks - tender1/2015 construction of storm water drain system. Applicant claim to be the successful tenderer instead of the appointed tenderer. Claim amount of R200 000,00 should the parties agree to settle the matter and R400 000,00 to R500 000,00 should the matter proceed.

##### **Kgolagano Ya Batho Constructions**

Kgolagano Ya Batho Constructions// JB Marks (218/2019)- Action against the Municipality for services (cleaning of illegal dumping) allegedly rendered amount of R232 000. The estimated further legal costs including disbursements are R50 000.

#### **Contingent assets**

The Municipality was involved in the following transactions or events in the current and prior year involving Contingent Assets:

##### **Readira Refugee Services CC**

Readira Refugee Services CC instituted action against the Municipality for unpaid balance to ■ contract at the High Court. The Council might be entitled to an amount of R868 675 for counter claims. Estimated further legal costs at a minimum of R50 000.



## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### 40. Contingencies (continued)

##### SO Matshidiso Construction

This matter relates to the appointment of the service provider, SO Matshidiso Construction, to supply paraffin lamps, stoves and oil. The appointment of the service provider did not comply with the applicable legislation and is therefore void. The amounts paid to the service provider must also be refunded to the municipality, less the reasonable costs incurred by the service provider. R20 million irregular expenditure to be recovered.

##### SP Selani

This matter relates contravention of municipal by-laws by SP Selani, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The matter is unopposed to date with a claim amount of R90 000 in favour of the municipality.

##### Shalom Trust

This matter relates contravention of municipal by-laws by Shalom Trust, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The trust indicated an intention to oppose the matter with a claim amount of R90 000 in favour of the municipality.

##### ERF 5475

This matter relates to contravention of building regulations at ERF 5475 Tlhaboloho street Ikageng, by erecting an additional brick structure on the stand without approval. Claim amount in favour of the council of R140 000.

##### Councillors

Fruitless, Irregular and unauthorised expenditure to be recuperated from four Councillors total claim to be recouped by the municipality amount of R2 669 358 should the matter be successful. Estimated further legal costs of R500 000.

##### Mabasotho Investment

Fruitless, Irregular and unauthorised expenditure to be recuperated from Mabasotho Investment amount of R6 812 947.

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

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### 41. Financial instruments disclosure

#### Categories of financial instruments

#### 2020

##### Financial assets

	At fair value	At amortised cost	Total
Other financial assets	62,808,359	-	62,808,359
Receivables from non-exchange transactions	-	21,423,176	21,423,176
Consumer debtors	-	262,983,884	262,983,884
Cash and cash equivalents	-	202,780,304	202,780,304
	<b>62,808,359</b>	<b>487,187,364</b>	<b>549,995,723</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	419,340,597	419,340,597
Taxes and transfers payable (non-exchange)	14,830	14,830
Consumer Deposits	24,464,962	24,464,962
	<b>443,820,389</b>	<b>443,820,389</b>

#### 2019

##### Financial

	At fair value	At amortised cost	Total
Other financial assets	57,302,252	-	57,302,252
Receivables from non-exchange transactions	-	19,522,272	19,522,272
Consumer debtors	-	240,698,828	240,698,828
Cash and cash equivalents	-	239,794,548	239,794,548
	<b>57,302,252</b>	<b>500,015,648</b>	<b>557,317,900</b>

##### Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	379,486,514	379,486,514
Taxes and transfers payable (non-exchange)	14,830	14,830
Consumer Deposits	23,471,205	23,471,205
	<b>402,972,549</b>	<b>402,972,549</b>

# JB Marks Local Municipality

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### 41. Financial instruments disclosure (continued)

#### Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

#### Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

#### Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values.

#### Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

#### Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

#### Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

#### Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2018, as a result of the short-term maturity of these assets and liabilities.

### Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

Below is an analyses of Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

#### Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

#### Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

#### Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Other financial assets are measured at fair value based on quoted market prices in active markets for identical instruments, these are therefore Level 1.

## JB Marks Local Municipality

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#### 42. Risk management

##### Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

##### Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating ■ control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

##### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through ■ ongoing review of future commitments and credit facilities.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

Cash flow forecasts are prepared and adequate utilised borrowing facilities ■■ monitored.

## JB Marks Local Municipality

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#### 42. Risk management (continued)

##### Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter party.

Trade receivables comprise ■ widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers ■■ settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

##### Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

##### Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from ■ previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they ■■ related entities. The credit risk on liquid funds is limited because the counterparties ■■ banks with high credit-ratings.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>42. Risk management (continued)</b>		
Financial instruments	2020	2019
Receivables from non-exchange transactions	21,423,176	19,522,272
Consumer debtors	262,083,884	240,698,834
Cash and Cash equivalents	202,780,304	239,794,548
Payables from exchange transactions	419,340,597	(379,486,514)
Payables from non-exchange transactions	(14,830)	(14,830)
Consumer deposits	(24,464,962)	(23,471,205)

#### 43. Irregular expenditure

Opening balance	2,216,121,928	1,990,590,175
Prior period errors	-	(764,668)
Add: Irregular Expenditure - current year	294,390,166	226,296,421
Add: Deviations in contravention with regulation 36	-	-
	<b>2,510,512,094</b>	<b>2,216,121,928</b>

#### Details of irregular expenditure – current year

No 7 days advertisement	13,321,530	1,503,342
Competitive bidding process were not followed	72,541,418	132,907,965
Declaration of interest not attached	13,152,437	9,288,255
Three quotation not attached	3,748,994	4,637,627
Bid adjudication not constituted	18,755,108	7,791,308
Non Tax Compliant	1,276,949	317,523
Expired contracts	16,077,445	-
Invoice and quotation amount not the same	-	122,841
SCM procurement processes not followed	-	2,305,962
Regulation 32 appointment - non compliances	20,185,745	-
Deviations in contravention with regulation 36	53,979,718	38,839,876
Other SCM contraventions	2,126,608	1,460,005
Non submission of municipal rates for directors and other mandatory bid documents	79,224,214	-
	<b>294,390,166</b>	<b>199,174,704</b>

#### Deviations not yet reported to council

Mechanical	516,837
COVID 19	1,707,522
Other	1,445,887
	<b>3,670,246</b>

#### 44. Fruitless and wasteful expenditure

Opening balance	77,520,785	74,599,872
Add: Fruitless and wasteful expenditure - current year	4,433,266	2,920,913
	-	-
	-	-
	-	-
	<b>81,954,051</b>	<b>77,520,785</b>

The following are particulars of any criminal or disciplinary steps to be taken ■ ■ consequence of above expenditure.

Interest on late payments - various creditors -(2020: R 1 763 848), (2019: R 1 317 364) - To be submitted to Council.

Penalties on late payments - various creditors -(2020: R 2 669 417 ), (2019: R 1 603 549) - To be submitted to Council.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>45. Unauthorised expenditure</b>		
Opening balance (Restated)	837,154,362	824,686,591
Office of the Executive Mayor	-	302,932
Office of the Speaker	-	4,767,954
Municipal Manager	42,892	4,254,182
Budget and Treasury Office	-	-
Public Safety	-	3,142,703
Corporate Services	-	-
Infrastructure	-	-
Department of Environmental Management	-	-
Sports, Arts and Culture	-	-
Human Settlement and Planning	-	-
Economic Development	3,513,240	-
less: Unauthorised expenditure condoned by Council	-	-
less: Unauthorised expenditure transferred to receivables	-	-
	<b>840,710,494</b>	<b>837,154,362</b>

The following are particulars of any criminal or disciplinary steps to be taken as a consequence of above expenditure.

- Office of the Executive Mayor - (2019: R302 932) - To be submitted to Council.
- Office of the Speaker - (2019: R4 767 954) - To be submitted to Council.
- Office of the Municipal Manager - R42 892 (2019: R4 254 182) - To be submitted to Council.
- Budget and Treasury - within budget.
- Public Safety - within budget.
- Corporate Services - within budget.
- Infrastructure - within budget.
- Department of Environmental Management - within budget.
- Sports, Arts and Culture - within budget.
- Human Settlement and Planning - within budget.
- Economic Development - R3 513 240 - To be submitted to Council.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### 46. Related parties

##### Relationships

Ward Councillors by Ward number:

- 1 Maneli KM
- 2 Liang EJJ
- 3 Van Onselen A
- 4 Zerwick LJ
- 5 Venter JM
- 6 Monaisa BJ
- 7 Combrink AL
- 8 Mogoemang KEG
- 9 Ofentse BL
- 10 Chaka XG
- 11 Moncho KS
- 12 Molotsi GN
- 13 Johnson KA
- 14 Makoe ML
- 15 Pienaar PJ
- 16 Malinga AJ
- 17 Ngomezulu KJ
- 18 Kganticoe SJ
- 19 Kgasane MP
- 20 Montsho KL
- 21 Makousa RA
- 22 Britz S
- 23 Esterhuysen JJ
- 24 Adriaanse JM
- 25 Le Roux AA
- 26 Letshabo PT
- 27 Mothopeng MS
- 28 Valipathwa SP
- 29 Katees MM
- 30 Mataboge MM
- 31 Motladiile AS
- 32 Morokeng DM
- 33 Matsapola DM
- 34 Moliwa I



# JB Marks Local Municipality

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## Notes to the Annual Financial Statements

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<b>46. Related parties (continued)</b>		
Proportional Councillors:	De Villers IJ Fransman GML Kegontse KR Gwili D Kham XD Khumalo KM Kruger TG Landsberg JC Lesomo PZ Makhunga JG Mkhabela LM Mokwena BJ Moeletsi CL Mogwata CN Mokgethi RH Mokoena LD Molete P Moolman HJ Morulane P Mosenogi G Raphulu MP Steyn P Thulo SM Van Onselen WN Xaba JS Molapisi LG Mosounyana MP Greyling JH Mosine MC Hattingh C Van Tonder MJ Modise GAM Steyn-Du Toit M	
Accounting Officers	Ralekgetho L - Municipal Manager	
Members of key management	Chief Financial Officer: Moeketsane TE  Director: Public Safety: Msibi OS  Director: Infrastructure: Monnakgothu JK (6 January 2020 to date)  Acting Director: Infrastructure: Van Den Berg J ( 1 November 2018 to 31 August 2019)  Director: Municipal Services: Henry CP  Acting Director: Municipal Services: Modiakgotla EPM (1 February 2019 to 31 August 2019)  Director Corporate Services: Mosepele BMB	
<b>Related party balances and transactions</b>		
<b>Councillors and officials with arrangements on consumer accounts</b>	Arrangements	Total
	-	-

# JB Marks Local Municipality

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### 46. Related parties (continued)

MAKOUISA RA

545 11,608

### Employees with arrangements

KGAMPE MJ	-	-
LEPEDI SB & RJ	503	961
LETSHABO NE & SP	1,287	2,325
MASIKE MSE	-	-
NEBA MD	410	766
NONG SG	12,725	25,912
NYATHI DW	2,038	28,519
PETERSEN NJ	1,963	2,161
STAADSRaad/MAQASHELA NA	501	11,162
STAADSRaad/HARWOOD DB & ME	271	14,700
STAADSRaad/POOE MC	23,789	33,400
STAADSRaad/SLAMBERT GD	649	9,034
STEYN SGJ	2,796	59,595
	1,375	12,001

### Awards made to the spouses of employees

Name of the person	Position	Name of spouse	Supplier name	Expenditure
Wiliwisha Veronique Waters	Administration	Phillip Jeremy Waters	Coalition Trading 968	309,050
Kedihentshe Lena Moamogwa	Traffic Department	Tebogo France Moamogwa	Moamogwa Construction	198,870
Mmokwa Lesley Modisetsi	Library: Ikageng	Snr server administrator	The curve behind	2,994
Smit R	Snr server administrator	Madrileen Alet Schmitz	Schmitz Prokureurs	50,882

### 47. Additional disclosure in terms of Municipal Finance Management Act

### Contributions to organised local government

Current year subscription / fee	4,728,276	4,864,114
Amount paid - current year	(4,728,276)	(4,864,114)
	-	-

## JB Marks Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>47. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>		
<b>Audit fees</b>		
Opening balance	18,210	34,885
Current year subscription / fee	8,164,019	8,226,939
Amount paid - current year	(8,165,254)	(8,243,614)
	<b>16,975</b>	<b>18,210</b>
<b>PAYE and UIF</b>		
Opening balance	6,079,791	-
Current year subscription / fee	75,556,594	66,590,127
Amount paid - current year	(81,636,385)	(60,510,336)
	<b>-</b>	<b>6,079,791</b>
<b>Pension and Medical Aid Deductions</b>		
Current year subscription / fee	141,401,834	129,704,160
Amount paid - current year	(141,401,834)	(129,704,160)
	<b>-</b>	<b>-</b>

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

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### 48. Prior period

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by the prior-year adjustments, reclassifications and disclosure.

#### Statement of financial position

2019

	As previously reported	Correction of error	Restated
Inventories	142,373,156	53,722	142,426,878
Receivables from exchange transactions	17,112,875	2,409,397	19,522,272
VAT receivable	15,775,536	1,162,972	16,938,508
Consumer debtors	252,457,438	(11,758,610)	240,698,828
Property, plant and equipment	3,830,902,969	(5,036,303)	3,825,866,666
Payables from exchange transactions	(300,195,609)	(79,290,905)	(379,486,514)
Unspent conditional grants	(15,251,046)	2,305,858	(12,945,188)
Accumulated Surplus	(4,124,924,572)	86,172,477	(4,038,752,095)
Investment property	53,689,956	10,085,659	63,775,615
Heritage assets	63,035,869	(6,104,267)	56,931,602
	<b>(65,023,428)</b>	<b>-</b>	<b>(65,023,428)</b>

#### Statement of financial performance

2019

	As previously reported	Correction of error	Restated
Miscellaneous other revenue	(38,667,456)	25,863,904	(12,803,552)
Government grants and subsidies	(368,966,130)	(2,305,858)	(371,271,988)
Public contributions and donations	(1,972,712)	(165,681)	(2,138,393)
Employee costs	424,770,241	(5,925,143)	418,845,098
Impairment losses on assets	4,719,257	(79,928)	4,639,328
Depreciation and amortisation	235,889,605	1,924,633	237,814,238
Lease rentals on operating lease	229,236	(1,696)	227,541
Contracted services	88,870,377	(13,716,287)	75,154,090
Debt Impairment	274,020,696	853,143	274,873,839
General expenses	98,845,785	22,166,625	121,012,410
Repairs and maintenance	66,121,255	(11,159)	66,110,096
	<b>783,860,154</b>	<b>28,602,553</b>	<b>812,462,707</b>

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

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### 48. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

#### Error 1

In 2018, the impairment on sundry debtors was incorrectly calculated and this resulted in receivables from non-exchange being overstated by R147 393 and accumulated surplus was overstated by the same amount.

#### Error 2

In 2018, certain payments were not allocated correctly and this resulted in consumer debtors being overstated by R822 109 while accumulated surplus was overstated by the same amount.

#### Error 3

In 2019, the opening balance for property, plant and equipment and investment property was incorrectly stated due to certain items and land parcels not being identified correctly and accurately, which led to an overstatement of property plant and equipment of R6 901 854 and an understatement of investment property of R10 085 658, accumulated surplus was also thus understated by R3 183 805.

#### Error 4

During 2018, there were a number of transactions that were not correctly accounted for and this led to an overstatement of payables from exchange transactions of R1 843 and understatement of VAT receivable of R73 201 which consequently led to the accumulated surplus being understated by R75 044.

#### Error 5

In 2019, there were long outstanding creditors whose balances had not changed in more than 2 years, upon further investigation it was established that these creditors amounts were unsubstantiated and hence payables from exchange transactions were overstated by R12 552 135 and accumulated surplus was understated by the same amount.

#### Error 6

In 2018 the amount due to the Department of Water and Sanitation was not accounted for in the financial system and thus led to an understatement of payables from exchange transactions of R72 411 408 and accumulated surplus was overstated by the same amount.

#### Error 7

In the prior financial period, there were various misallocations of VAT which led to the following misstatements: Contracted services were overstated by R117 400, General expenses were overstated by 533 190, Payables from exchange transactions were understated by R7 198, Repairs and maintenance was overstated by R9 594 and VAT receivable was understated by R667 382

#### Error 8

In 2019 there was qualifying capital expenditure from the MIG grant that was spent but not transferred to revenue and this led to the revenue from grants being understated by R2 305 857 and unspent conditional grants being overstated by the same amount.

#### Error 9

During the 2019 financial period the water inventory was not updated nor calculated accordingly and thus led to the water stock being understated by R53 722 and general expenses being overstated by the same amount.

#### Error 10

In the 2019 financial year, there were processing omissions and errors which led to the misstatement of a number of financial statement areas: Contracted services were understated by R 4 590 722, Depreciation was understated by R1 924 633, General expenses were overstated by R31 675, Impairment of PPE was overstated by R79 929, Repairs and maintenance were overstated by R1 565, Lease rentals were overstated by R1 696, Public contribution and donations were understated by R165 682, Heritage assets were understated by R2 950, Other receivables from non-exchange transactions were overstated by R809 742, Payables from exchange transactions were understated by R189 688, Property Plant and Equipment was overstated by R3 644 120 and VAT receivable was understated by R477 955.

#### Error 11

In 2019 there were some posting errors made on the salary votes which led to the payables from exchange transactions being understated R3 322 865, Employee Costs being understated by R893 319 and General expenses being understated by R2 429 547.

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

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#### 48. Prior period errors (continued)

##### Error 12

An amount paid by consumers was incorrectly posted to the Miscellaneous revenue vote and this led to the overstatement of revenue by R25 863 905, Consumer debtors were overstated by R11 758 609, other receivables from non-exchange transactions were understated by R3 366 532, payables from exchange transactions were understated by R13 672 564 and Employee cost was overstated by R4 652 407.

##### Error 13

In the prior periods the Auditor General identified errors with the irregular expenditure register, these errors were reviewed by the municipality and it was concluded that an adjustment of R764 668 relating to the 2014-2018 period was required. Furthermore in 2019 an omission of irregular expenditure to the value of R43 481 460 had been made and thus another adjustment to the register in the prior year was required.

##### Error 14

In 2019, Audit fees, of R7 774 164, Legal Costs of R8 062 435 and Training costs of R2 353 012 were incorrectly classified as contracted services and Contracted services were thus overstated by 18 189 611 and general expenses were understated by the same

##### Error 15

In the prior financial year, there were certain accounts that were incorrectly mapped and this led to Employee costs being overstated R2 166 054 and General expenses being understated by the same amount.

##### Error 16

Due to all the errors made in expenditure in the 2019 financial period, the unauthorised expenditure was understated by R3 633 967.

##### Error 17

The MFMA disclosures were missed in the 2019 annual financial statements and the following items required correction: Audit fees was understated by R18 210, SARS UIF and SDL were overstated by R6 079 790.

# JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>48. Prior period errors (continued)</b>		
<b>Effect of errors on the Accumulated Surplus</b>		
Decrease in Accumulated Surplus due to error 1	-	(147,393)
Decrease in Accumulated Surplus due to error 2	-	(822,109)
Increase in Accumulated surplus due to error 3	-	3,183,805
Increase in accumulated surplus due to error 4	-	75,044
Increase in Accumulated surplus due to error 5	-	12,552,135
Decrease in Accumulated surplus due to error 6	-	(72,411,408)
<b>(Increase) / Decrease in Accumulated Surplus</b>	<b>-</b>	<b>(57,569,926)</b>

### Effect of errors on the Statement of financial position

Decrease in Receivables from non-exchange transactions due to error 1	-	(147,392)
Decrease in Consumer debtors due to error 2	-	(822,109)
Increase in investment property due to error 3	-	10,085,658
Decrease in Property Plant and Equipment due to error 3	-	(6,901,854)
Decrease in payables from exchange transactions due to error 4	-	1,843
Increase in VAT receivable due to error 4	-	73,201
Decrease in Payables from exchange transactions due to error 5	-	12,552,135
Increase in Payables from exchnage transactions due to error 6	-	(72,411,408)
Increase in Payables from exchnage transactions due to error 7	-	(7,198)
Increase in VAT receivable due to error 7	-	667,382
Decrease in unspent conditional grant due to error 8	-	2,305,858
Increase in inventory due to error 9	-	53,722
Increase in Heritage assets due to error 10	-	2,950
Increase in Payables from exchnage transactions due to error 10	-	(2,261,851)
Decrease in Property Plant and Equipment due to error 10	-	(3,644,120)
Decrease in Receivables from non-exchange transactions due to error 10	-	(809,742)
Increase in VAT receivable due to error	-	477,955
Increase in Payables from exchange transactions due to error 11	-	(3,322,866)
Decrease in Consumer debtors due to error 12	-	(11,758,609)
Increase in Payables from exchange transactions due to error 12	-	(13,672,564)
Increase in Receivables from non-exchange transactions due to error 12	-	3,366,532
	<b>-</b>	<b>(86,172,477)</b>

### Effect of errors on the Statement of financial performance

<b>Deficit as previously reported</b>	<b>-</b>	<b>12,726,684</b>
Decrease in Contracted Services due to error 7	-	(117,400)
Decrease in General expenses due to error 7	-	(533,190)
Decrease in repairs and maintenance due to error 7	-	(9,594)
Increase in Government grants and subsidies revenue due to error 8	-	(2,305,858)
Decrease in General expenses due to error 9	-	(53,722)
Increase in Contracted services due to error 10	-	4,590,722
Increase in Depreciation due to error 10	-	1,924,633
Decrease in General expenses due to error 10	-	(31,675)
Decrease in impairment of PPE due to error 10	-	(79,928)
Increase in Public contribution and donations due to error 10	-	(165,682)
Decrease in Repairs and maintenance due to error 10	-	(1,565)
Decrease in Lease rentals due to error 10	-	(1,695)
Increase in Employee Cost due to error 11	-	893,319
Increase in General expenses due to error 10	-	2,429,547

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>48. Prior period errors (continued)</b>		
Decrease in Employee cost due to error 12	-	(4,652,407)
Increase in debt impairment due to error 12	-	853,143
Decrease in Miscellaneous other revenue due to error 12	-	25,863,905
Increase in General Expenses due to error 14	-	18,189,611
Decrease in Contracted services due to error 14	-	(18,189,611)
Decrease in Employee Costs due to error 15	-	(2,166,055)
Increase in General Expenses due to error 15	-	2,166,055
<b>Restated Deficit</b>	-	<b>41,329,237</b>



## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand	2020	2019
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#### 49. Distribution losses

##### Electricity Distribution

System Input Volume: Electricity Units (kWh) purchased	550,594,684	507,340,577
Billed Consumption: Electricity Units (kWh) sold	(497,083,187)	(462,720,878)
	<b>53,511,497</b>	<b>44,619,699</b>
Percentage loss	9.72%	8.79%

Electricity loss for the financial year will be calculated at year-end. The Rand value of the electricity loss for the financial year will be calculated at year-end 2020: R 58 728 802 (2019: R 42 004 749).

Electricity Losses occur due to inter alia , technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

##### Water Distribution

System Input Volume: Water Units (kL) purchased	17,248,023	28,965,803
Billed Consumption: Water Units (kL) sold	(12,336,712)	(20,975,258)
	<b>4,911,311</b>	<b>7,990,545</b>
Percentage loss	28.47%	27.59%

Water losses for the financial year will be calculated at year-end. The estimated Rand value of the water losses for the financial year will be calculated at year end 2020: R 2 897 673 (2019 R 4 714 421).

Water Losses occur due to inter alia , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

#### 50. Change in estimate

##### Property, plant and equipment

Class	Effect in 2019/2020
Other property, plant and equipment	3 232 415
Bulidings	3 773 727
Roads and storm water infrastructure	12 243 616
Water and sanitation infrastructure	481 534
Electricity and solid waste infrastructure	2 024 970

The useful life and expected pattern of consumption of assets were reviewed during verification and it was assessed that the assets above should have a change in accounting estimate

## JB Marks Local Municipality

Annual Financial Statements for the year ended June 30, 2020

### Notes to the Annual Financial Statements

Figures in Rand

2020

2019

#### 51. Going concern

We draw attention to the fact that at June 30, 2020, the municipality had an accumulated surplus of R 3,934,141,874 and that the municipality's total assets exceed its liabilities by R 3,934,141,874.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Management considered the following matters relating to the Going Concern:

- Good financial indicators for liquidity
- Deficit incurred in the current year, but sufficient accumulated surpluses are still available
- Sufficient cash resources to pay creditors as they fall due
- Challenges in collecting outstanding debts

Management however considered the following matters relating to the Going Concern:

(i) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(ii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iii) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

(iii) The municipality is funded by grant income to date the 1st trench of Equitable Share was received subsequent to year end.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

#### 52. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2020.

#### 53. Comparative figures

Where necessary, comparative figures have been restated for prior period error adjustments and /or reclassified to conform to changes in presentation in the current year.

The comparative figures of 2019/2020 cover a full 12 month financial period.

#### 54. In-kind donations and assistance

The municipality did not receive any In-kind Donations and Assistance during the year under review.